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**PARCEL-BY-PARCEL URBAN DESIGN:  
A STRATEGY TOWARD CLARIFYING RIGHTS AND RESTRICTIONS  
IN THE REDEVELOPMENT OF CENTER-CITY MOSCOW**

by

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**ABSTRACT**

The historic center of Moscow has become the focus of real estate development pressure and the center of efforts to preserve old Moscow's unique architectural environment and urban composition.

The process for approving new developments and restorations in the historic center of Moscow should be streamlined and made less complex, in order to guard municipal revenue against market fluctuation, to achieve transparency, and to preserve the urban-design patterns of historic Moscow.

The approvals process, as practised today, is presented in seven stages. Celebrated and controversial case studies are viewed through the seven-stage prism. An alternative plan developed in Moscow's Yakimanka district is examined. Its proposals are then applied to the seven-stage process currently in place.

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## INTRODUCTION

Since the late 1980s, the historic center of Moscow has been resurrected from decades of disinvestment. It has at once become the focus of real estate development pressure and the center of efforts to preserve old Moscow's unique architectural environment and urban composition.

In exchange for the right to develop in Moscow, investors must contribute 50% of their development to the City. Despite this, real-estate investment in center-city Moscow has been high. The Moscow city government can therefore afford to retain ownership of almost its entire housing stock, provide subsidies, and undertake new construction. However, by relying on large contributions from investors at the time of development, the city government exposes itself unduly to the cyclical vagaries of the market.

Amid the current development pressure, the process of development and design approvals is inefficient and relatively unpredictable. On the one hand, many architects believe the market is running roughshod over the old historic Moscow, injecting dissonant architecture and oversized buildings. At the same time, developers feel that they are dragged through an approvals process so complex it defies imagination. For these two sides to comment as they do, the process must be one of low yield: much effort is exerted to achieve a less-than-satisfying result.

The purpose of this study is to argue that the process for approving new developments and restorations in the historic center of Moscow should be streamlined and made less complex. The fundamental reasons to do so are as follows:

- to make the process of development in Moscow less onerous, and therefore more likely to weather market perturbations;
- to make known, available, and transparent the City's requirements with respect to any center-city parcel *before* a development proposal is made;
- to guard firmly the established urban patterns of historic Moscow, but to give freedom to architectural design within the pre-set constraints.

The methodology and presentation of this investigation is as follows. Chapter 1 lays out assumptions and important contextual issues. Chapter 2 describes center-city development in post-communist Moscow. Chapter 3 follows the process of design and development approvals in center-city Moscow through a "standard example." Chapter 4 analyzes controversial and successful cases. Chapter 5 examines an alternative plan proposed in one of the districts within central Moscow. Chapter 6 applies the alternative plan to the "standard process" from Chapter 3 and to the case studies from Chapter 4. Finally, Chapter 7 offers concluding thoughts.





## Chapter 1: 1147-1991

“In Moscow,” mused Chief Architect Aleksandr V. Kuzmin, “history handed us a gift which perhaps no other capital has been given. Almost all the famous capitals, as they developed, swallowed up their mediæval beginnings — the development patterns of the seventeenth, eighteenth, even early nineteenth centuries. In our case, ‘imperial ambition’ occupied itself in a different location: felicitously, building the new ‘official’ capital of St. Petersburg did not require the demolition of ‘domestic’ Moscow.” In 1703, Moscow was stripped — Kuzmin might say, relieved — of the seat of government. This move has helped to preserve much of the small-scale fabric of center-city Moscow. “It is simply a joy,” continued Kuzmin, “that our descendants will be able to see the very same [irregular] bend in Kuznetsky Most<sup>1</sup>, or to ascend to Znamenka [street] over the inordinately steep Borovitsky hill.”<sup>2</sup>

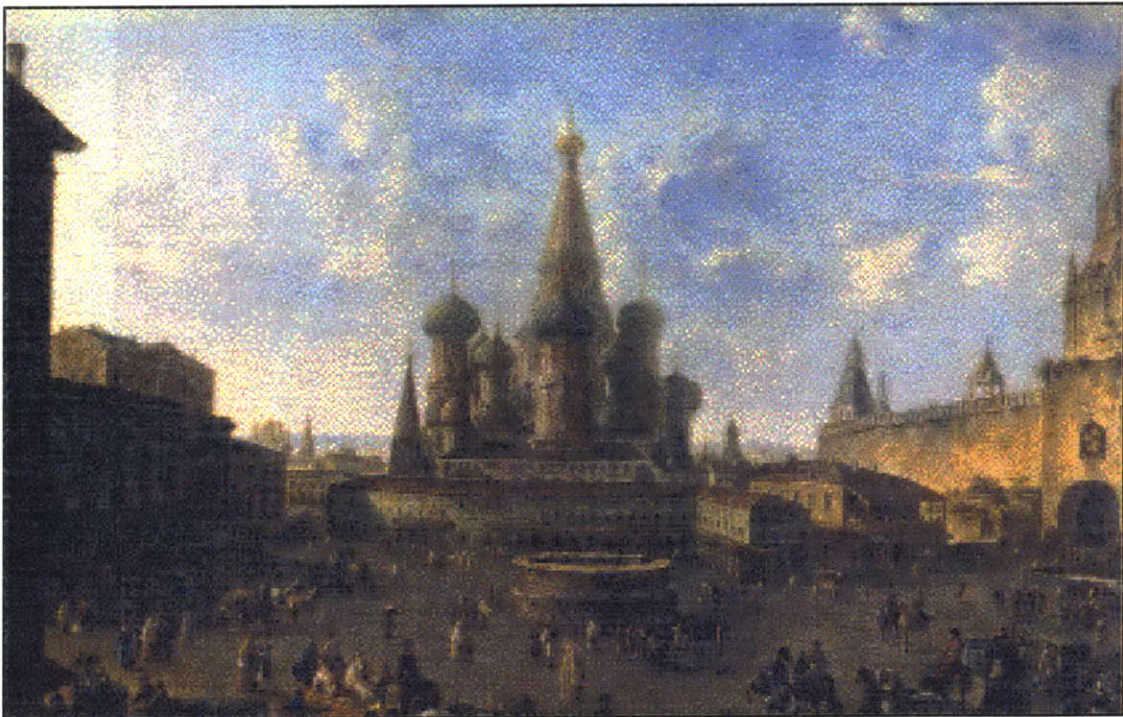


Figure 1.1: Red Square in 1801. F. Alexeyev.

Source: *Paintings of Old Moscow*, Vneshtorgizdat, 1996, ed. no. 2185.

<sup>1</sup> The street known as Kuznetsky Most, or Smith Bridge, once included a bridge at its lowest point, but now spans a culvert.

<sup>2</sup> *Vechern'aya Moskva*, Вечерняя Москва, Interview with Aleksandr Victorovich Kuzmin, by Alla Shugaikina, September 1996.



Pre-Revolutionary Moscow was a somewhat congested city of two-to-three story developments, anchored by its famous “forty times forty” golden-domed churches. Its busiest trading ground was Red Square<sup>3</sup>, the geographic center of Moscow, known for its disorganized array of vendors, until their assembly into trading rows by the 1890s.

Since its first historical record in 1147, Moscow grew in a concentric manner, each time expanding its fortifications. The Kremlin and the Merchants’ Quarter (“Kitai-gorod”) were the original built sites in the town, and their walls still stand today. The white stone walls of the city constructed in the fourteenth century formed a perimeter that was not removed until 1785. Today, the alignment of those walls is followed by the Boulevard Ring — a three-quarter circle on the north side of the Moscow River. The Garden Ring was planted in the nineteenth century as the next perimeter around the center.

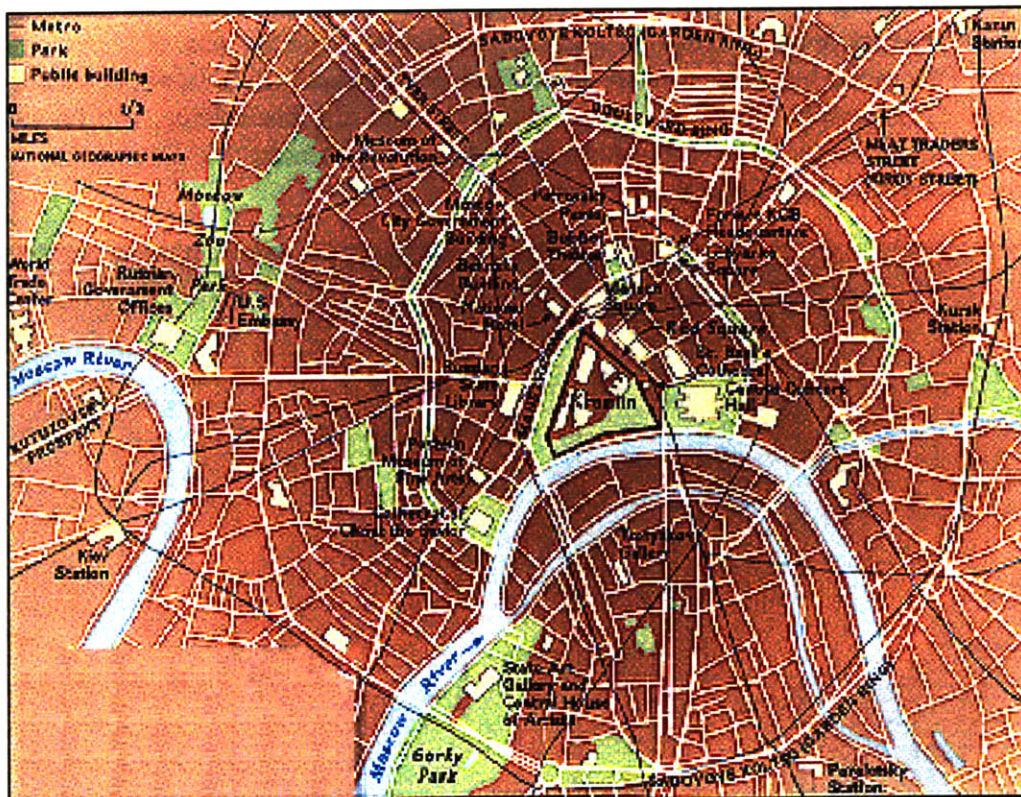


Figure 1.2: Center-City Moscow.

Source: *National Geographic*, April 1997, Vol. 191, No. 4, p. 89.

The Revolution brought to Moscow the function of Soviet Capital. Lenin’s and Stalin’s architects carried out some grandiose plans, but failed to complete even more of them. Red Square became a parade ground. The Garden Ring was stripped of all its vegetation and is now a twelve-lane highway. Many churches, most notably the Cathedral of Christ-the-Saviour, were torn down. Stalin planned to construct on its site the tallest building in the world, two meters taller than the Empire State Building. The

<sup>3</sup> Derived from the old Russian root word for “beautiful”, not from Bolshevik symbolism.

metal that was to have formed the structure of that ædifice was instead used in the war effort after Germany attacked the Soviet Union in 1941.

In post-World War II Moscow, Stalin re-oriented his tastes toward a neo-Gothic style. The seven “Stalin high-rises” — the Foreign Ministry, Moscow State University, hotels and residential structures — straddle the Garden Ring and other points of high visibility. They remain the tallest structures in the city. Tver Street (the main northwesterly avenue) was widened by literally moving the buildings on its southwest side off their original foundations. A major avenue (New Arbat street/Kutuzovskii Prospect) was built through the west of the city, flanked by massive, stand-alone buildings. It made possible a fast commute by automobile from the west.

The greatest investment of Soviet architecture, however, occurred on the periphery. Several factors pointed toward the outskirts: they offered a “clean slate”, once farmland or old villages were removed; the city had to grow if its chronic housing shortages were to stay clear of outright crisis; the center was not thought to be well worth the effort of reconstruction. During the Khrushchev era, and more so during the Brezhnev era, entire complexes of five-story, nine-story, even fifteen-story structures were clustered around pre-planned transit stations. The apartments were small. Automobiles were a luxury. Transit-oriented development was achieved (even today, 90% of commuters into center-city take the underground rapid-transit system, the Metro).<sup>4</sup> Regulated by strict standards of exposure to sun (insolation), the buildings stood in rows, behemoths of a model of urban life that many now dismiss as dictatorial, faceless, and drab. This very style was thought to be on the cutting edge of modernity.



Figure 1.3: 1970s housing in the Orekhovo-Borisovo section of Moscow.

Source: *Architectura SSSR*, V. Nestorov, Moskovskaya typographia No. 5, 1975/11, p.32.

The command economy that drove this style of development left center-city Moscow with a land-use structure that “differs strikingly from market cities” — a phenomenon worth understanding. There was no such concept as a sales price for land rights under the Soviet system. There was no “invisible hand” to allocate land efficiently. As a result, there are “sizable enclaves of ‘fallow’ or

‘dead land’ — areas which combine low levels of economic activity with negative environmental qualities.” Alongside these lands, “Households tend to be concentrated in

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<sup>4</sup> Interview with Yuri Vasilievich Korotkov, Chief Engineer of the Institute of the Moscow Master Plan, January 1996.



the periphery with increasing densities further from the center and ‘historically’ low densities in central areas ... Households are pushed toward suburban areas by administrative fiat, not because they are making a voluntary trade-off between the convenience of the city center and the better environment of the suburbs, i.e. between commuting time and housing space.”<sup>5</sup> Typical market cities are characterized by negatively-sloped density profiles — population density is higher toward downtown. Cities that formed in the age of the automobile might have an equally-distributed, “flat” density profile. Moscow has a positively-sloped density profile. In other words, population density on the outskirts is *greater* than population density in the center.

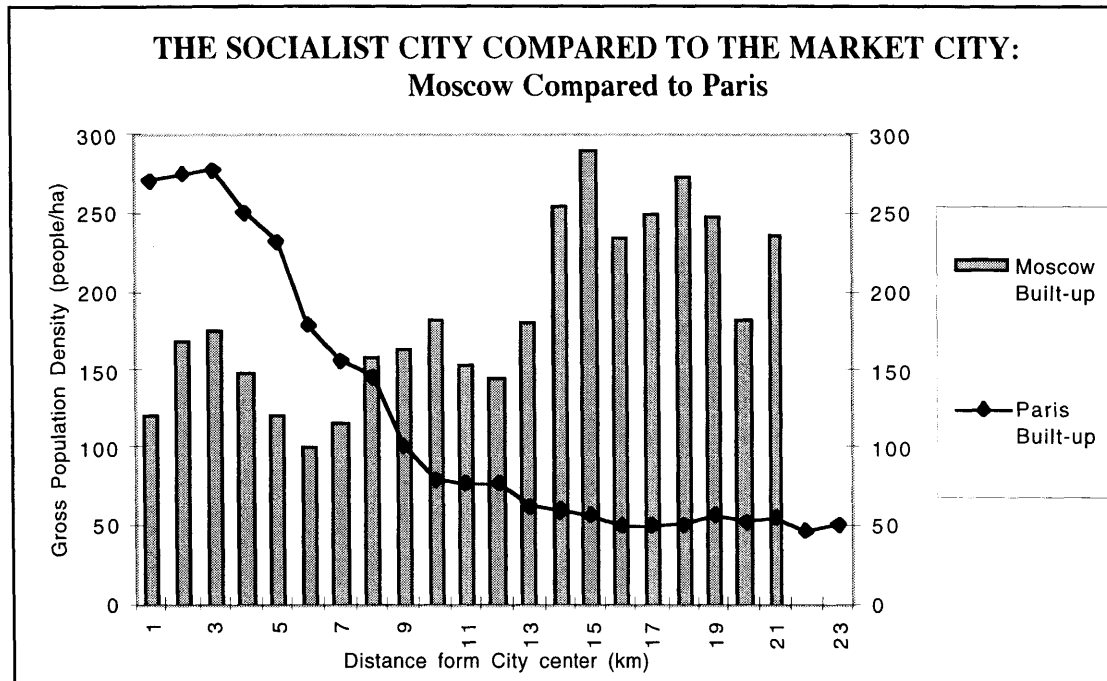


Figure 1.4: Moscow's development is characterized by high densities at the outskirts.  
Source: *Cities without Land Markets*, Alain Bertaud and Bertrand Renaud, p. 11 (original source: Institute of the Moscow Master Plan, 1992).

The implications of this socialist pattern of development are of critical importance, for they still largely define the structure of Moscow. Bertaud and Renaud present three such implications:

— (1) The dispersion of population in a city such as Moscow carries “higher transport costs, higher primary infrastructure costs, higher urban operating costs, and a greater share of labour time wasted in travel.” Some of the operating costs are alleviated by economies of scale achieved by high-rises. The rest of these costs, however, “are paid for in the form of lower levels of economic development.”

— (2) So overbuilt with high-rise apartment buildings is the city's periphery, that “when transport subsidies are progressively removed and full wages restored, demand for this type of high-density housing far from the city center will drop even further.

<sup>5</sup> *Cities Without Land Markets: Lessons of the Failed Socialist Experiment*, by Alain Bertaud and Bertrand Renaud, 1993, pp. 3-7

Prices could well drop below replacement costs and trigger abandonment.” It could also trigger an auto-based suburbanization and motorization that would strain land and infrastructure far beyond current levels.

— (3) “The fully-serviced, underused land close to the city center has a high opportunity cost.”<sup>6</sup>

The last condition is the launching point for this study. Center-city Moscow at once has become the focus of development pressure (for economic reasons) and the center of architectural and urban-design attention (for cultural and political reasons). The deputy chief architect of Moscow and head of the Main Architectural/Planning Directorate, Aleksei R. Vorontsov, stated in an interview his wish that developers would place high-rises outside of the city’s historic center.<sup>7</sup> When Donald Trump proposed a 33-story tower on Tver Street, replete with the finest amenities, Vorontsov admitted to liking the project — “were only it in Manhattan”.

The economic pressure for the highest-density development to be downtown is not a force that Vorontsov is willing to accept as *fait accompli*. His own firm designed large office buildings on the periphery — for example, ul. Ephremova 8 (Figure 1.5, at left).<sup>8</sup> The Russia Savings Bank (“Sberbank”, Figure 1.5, at right), the largest Russian bank in terms of assets, has housed its offices in a tower on ul. Profsoyuznaya in southwest Moscow. Gazprom, Russia’s giant natural-gas and pipeline monopoly, has completed a similar ædifice on Leninskii Prospekt, the principal route to the southwest.

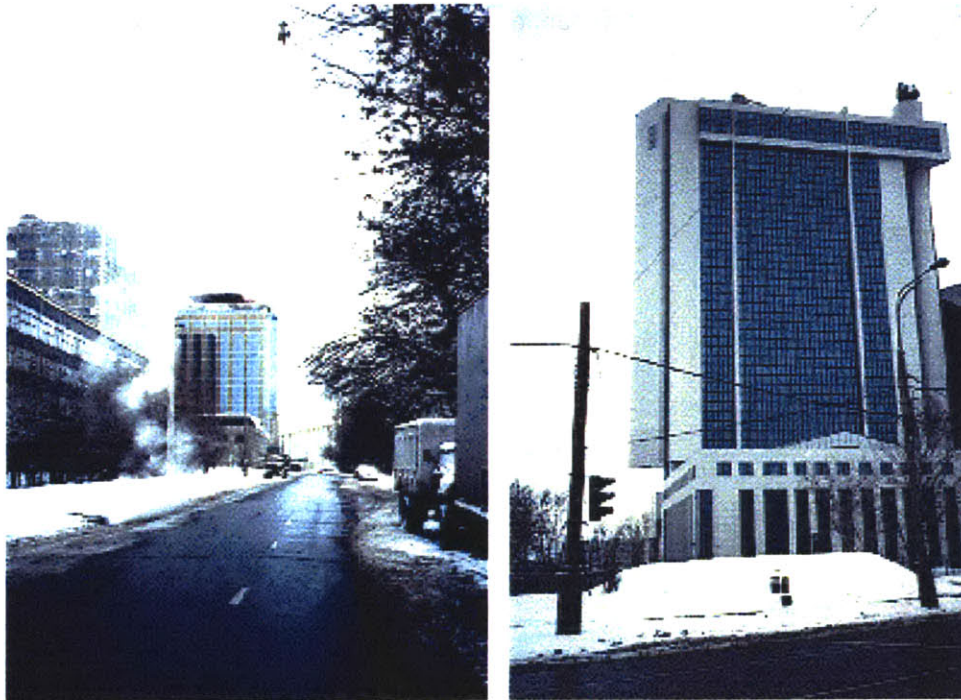


Figure 1.5: Ul. Ephremova 8 under construction (left) and the Sberbank headquarters (right).  
Photos: Author.

<sup>6</sup> Bertrand and Renaud, p. 12.

<sup>7</sup> Interview with Aleksei Rostislavovich Vorontsov, deputy chief architect of Moscow, head of the Main Architecture-Planning Directorate.

<sup>8</sup> The abbreviation “ul.” stands for “ulitsa” — meaning “street”.

These projects appear to complement demand for space in the historic center, not replace it. Much of the demand will continue to be for space in the prestigious downtown region.

Kuzmin's and Vorontsov's passion for Moscow's historic pattern is but a strand of thought and feeling that was forged amid the destruction of things historical. "Former Moscow authorities will be remembered by the people as destroyers of historic monuments in a period of unprecedented vandalism," wrote architectural historian Yuri Alexandrov. "Current leaders, however, are reconstructors, atoning for the past with bricks and mortar."<sup>9</sup> The atonement is made in public by political leaders. The bricks and mortar are financed by developers. Kuzmin's vision for Moscow and private developers' vision for Moscow are different, but they *must* be played out on the same turf, the 5,500 hectares inside the Garden Ring — the historical center of Moscow.

The process for approving a new development or a restoration of an existing structure is the natural building-block of the center-city's evolving urban design. It is the point of junction and conflict between the forces that seek to shape the city. An analysis of the legal documents demonstrates that the process could be streamlined, simplified, and made to achieve better solutions than it does today. Underlying this effort is an important assumption: that the process need not be discarded and formed anew, for such a radical solution would only exacerbate the problems of unpredictability and insecurity. The documents that form the backbone of the process are vestigial in name, but are slowly evolving in their function. The analysis and recommendations of this study are to be understood within the context of a system that is *evolving* — albeit haphazardly — from its recent socialist past.

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<sup>9</sup> *Russian Life*, August 1995, Yuri Alexandrov.

## Chapter 2: Since 1991

### Land Ownership

There is a long — that is to say, a ten-year-old — tradition of advice given to Russian leaders as to the need for allowing private ownership over land. By private ownership, one generally presumes a bundle of rights that includes the rights of development and redevelopment, use, maintenance, leasing and renting, unfettered sale or exchange, and inheritance. Russia's Land Code, promised by the President and the parliament since 1991, still does not exist as law. However, the Civil Code of the Russian Federation recognizes a series of private property rights, including the right to:

- use land
- own, but not sell, subsistence plots (small plots used for agriculture)
- construct improvements
- own such improvements in perpetuity
- lease or sublet existing rights in land
- extract resources by license
- inherit and bequeath land.<sup>10</sup>

The widest possible bundle of private property rights (all above-mentioned rights *except* that of sale) is called “permanent inheritable possession.” One tier below it is the so-called “indefinite use right,” which includes the right to use land, operate and maintain buildings on it, and enjoy this right until death. However, a presidential decree in 1995 additionally granted to landholders the rights of sale and purchase of land. In effect, Russia allows private land ownership.

Moscow, however, does not. As a “federal-level city,” Moscow has the jurisdictional authority of any of the other eighty-eight “subjects of the Russian Federation,”<sup>11</sup> — and Moscow's government has declared a moratorium on private land ownership until 2000. Structures may be owned with all the above-listed rights, but land can only be held under the indefinite use right by non-commercial holders, and under 49-year leases by commercial landholders. Yet, “in Moscow, streets are full of construction and renovation sites where ‘real estate developers’ promote their latest offerings in commercial office space and residential apartments, even though private ownership of land in Moscow is banned” under the moratorium. “Despite lack of

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<sup>10</sup> *Civil Code of the Russian Federation*, Chapters 15, 16, 17. Гражданский Кодекс Российской Федерации, изд. “ОСБ-89”, Москва, 1994 г.

<sup>11</sup> “Subjects of the Federation” — roughly equivalent to states in the U.S. meaning of the term — are not all equal. Some claim the right to conclude treaties with other subjects of the federation and even with foreign countries. Some have declared sovereignty over their natural resources. The coffers of Federal government are dependent on contributions from the subjects of the Federation, and the City of Moscow is a net contributor of funds.



explicit legal regulation, however, the commercial real estate leasing market in major Russian cities ha[s] been booming.” Supply has yet to meet demand, and Moscow still exhibits “exorbitant rental rates on par with New York, London and Tokyo.”<sup>12</sup>

Under a decree of Moscow government, dated 24 May 1995, land leases from the City can be “freely assigned and sold by real estate agents to any private company or individual, both local and foreign nationals or legal entities, thus opening up a secondary lease market in Moscow.”<sup>13</sup> The right to lease out land is not free. It can be purchased at auction (at a current market rate of approximately \$7 million/ha, or \$65/s.f., for prime locations).<sup>14</sup> Sergei Melnichenko, first deputy chairman of the Moscow Land Committee, had predicted land prices as high as \$23 million per hectare,<sup>15</sup> but such prices have not materialized.

In Moscow’s case, there is clearly enough investor confidence in the security of real estate assets that the question of land tenure can be put aside for the purposes of this investigation.

### **The City as Lessor**

Executive Order № 571-PM, from 18 December 1992, “On the Bidding Procedure and Conditions of Tenders for Long-Term Leases of Land in the City of Moscow,” established regulations for the leasing of land in Moscow. The agency in charge of executing leases on behalf of the City is the Moscow Land Committee (Moscomzem). The Land Committee, like nearly every agency in Moscow and nationwide, has an unclear chain of command. The funds it collects it transfers to the City of Moscow, less a commission which the Land Committee retains. Politically, however, it is a branch of the Federal government.<sup>16</sup> In reality, it is an entity of its own, wielding the power to maximize the City’s revenue by keeping parcels of land on and off the auction block as it chooses.

Parcels within the Central Okrug (Region), however, are for the most part advertised for lease not by the Land Committee but by the Prefecture (a district office under the Mayor) of the Central Okrug. These are properties in need of restoration and redevelopment. They are also the properties that most keenly affect the character of Moscow’s historic center. With respect to these parcels, the Land Committee acts as lease executor, but not as policy-maker. However, because the Land Committee has policy-making powers in the City as a whole, its role is not neutral even with respect to projects initiated through the Prefecture.<sup>17</sup>

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<sup>12</sup> *East/West Executive Guide*, 1.6.1996 (date-month-year format is followed uniformly in this study).

<sup>13</sup> *East/West Executive Guide*, 1.6.1996.

<sup>14</sup> Interview with Sergei Gavrilovich Konchenko, liaison of Territories’ Development Corporation (KRT) to Moscow Land Committee.

<sup>15</sup> *The Moscow Times*, 6.6.1995

<sup>16</sup> Police Departments, Fire Departments, Health Officers, and many such posts are ambiguous in Russia. For example, the “Moscow Fire Department” is at the same time Moscow’s department charged with handling fires and Russian Interior Ministry’s division for firefighting in the city of Moscow.

<sup>17</sup> The difficulties arising from the Land Committee’s dual role as land registrar and revenue-maximizer are discussed in Chapter 6.

### **The City as debtor**

ITAR-TASS, the Russian news agency, announced on November 12, 1996, that Moscow government was floating a record amount of general obligations. "If the new bonds are a success, the overall amount of Moscow government loans may near 5 billion dollars next year."<sup>18</sup> "Moscow has become the first Russian region to get an international credit rating," Kommersant-Daily and Segodnya reported on 25 February 1997. "The credit rating agencies Standard & Poor's and Moody's gave Moscow the speculative grades BB- and Ba2, respectively."<sup>19</sup> In order to make investment in Moscow more secure, Mayor Yuri Luzhkov recently offered "ironclad guarantees to investors ... Luzhkov said Moscow's real estate assets could also be used as security for investments."<sup>20</sup> How the City has come by such real estate assets is an important tale.

### **The City as development advocate**

Aleksandr I. Muzykantskii, prefect of the Central Okrug, and also deputy mayor of Moscow during the early and mid 1990s, recalled the starting point of his tenure, in 1991, thus: "The center was finished."<sup>21</sup> He has spoken repeatedly, if less adamantly, about this topic. Center-city Moscow's housing crunch may have been partly alleviated by residential construction on the outskirts, but at the same time "fewer and fewer construction workers, materials, means, and resources were being dedicated to the reconstruction of the city center. And the center was gradually decomposing."<sup>22</sup>

Steps were undertaken in the late 1980s by the Communist Party itself, but these could not have been effective, Muzykantskii argues, due to three great obstacles — inevitable results of the Soviet command economy. "First, all these [steps] relied on budget resources, whereas the required reconstruction work was so capital-intensive that the funds were simply not on hand, and perhaps ought not to be in a normally functioning economy. Second, there was a monopoly on construction by one [appointed] builder, such as Glavmosstroï<sup>23</sup>, and one designer, such as the Architecture and Urban Planning Committee [Moscomarchitecture]. Third, the steps all assumed a massive relocation of residents from the center into new developments, to be followed by the reconstruction of the vacated buildings."<sup>24</sup>

The monopolist designers and builders did not find reconstruction lucrative, Muzykantskii commented during an interview. By 1991, the City was bankrupt, but it owned every square foot of real estate that was not subject to the Kremlin. These are the conditions that forced Moscow to look in the direction of private investors. Muzykantskii personally believes the decision was right, but even if he had thought otherwise, he claims, there could not have been much debate on this issue in 1991. Circumstances dictated the City's steps. "We needed investors and we needed them to

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<sup>18</sup> ITAR-TASS daily news bulletin, 12.11.1996.

<sup>19</sup> OMRI Daily Digest, 25.2.1997.

<sup>20</sup> Agence France Presse, 20.2.1997.

<sup>21</sup> Interview with Aleksandr Ilyich Muzykantskii, prefect of the Central Administrative Okrug, 22.12.1996.

<sup>22</sup> "Архитектура и строительство Москвы", 1995, № 3, изд. "Московский журнал", М., р. 2. (*Architecture and Construction of Moscow, bimonthly publication of "Moskovskii zhurnal" publishing*)

<sup>23</sup> "Glavmosstroï" was the chief Moscow affiliate of the "Minstroï", or Ministry of Construction.

<sup>24</sup> "Архитектура и строительство Москвы", 1995, № 3, pp. 2-3.

invest quickly. We did not have the luxury of pursuing an overly deliberate course,” he said.

Moscow Government’s Decree № 217, dated 19 November 1991,<sup>25</sup> set forth several principles for the reconstruction of the City center:

1. Financing should come from private, not government, sources.
2. Construction should be undertaken by contractors operating on a system of free-market competition.
3. Project design should also be based on free-market competition.
4. In Muzykantskii’s own words, “City’s architectural organizations should only concern themselves with coordination, oversight, and expertise relating to designs.”
5. Residents slated for relocation to the outskirts were not to be forced out.
6. Any organization, public or private, that wholly finances a project will receive 50% of that project as its property, and will give 50% for municipal purposes, such as the relocation of residents *within* center-city.<sup>26</sup>

Point (1) has been a success, as far as private capital is concerned. Moscow has no shortage of investors, many foreign but also many Russian, willing to build and lease space. In 1991, Moscow had 15,000 square meters of “international quality” office space. By 1994, the stock was 250,000. In 1997, it is 950,000 and growing.<sup>27</sup>

### **The City corporate**

The other side of Muzykantskii’s Point (1) — that Moscow government cease to be the source of financing for real-estate development — has not come about. The army of government agencies who were the construction and design monopolies of past years are now at most semi-private. Many have been registered as joint-stock companies, but they continue to take orders from the Mayor. They require a clientele, and their largest single client has been the City. The scope and ambition of *new* construction undertaken by the City has waxed, not waned. This ambition has made for some powerful stories and headlines in the western media.

Writing in the New York Times, foreign correspondent Thomas L. Friedman sees this process optimistically: “Moscow’s mayor, Yuri Luzhkov ... bet on the *chinovniki* — local officials. He bet that if you disconnected these local officials from the central government, gave them real power and money from the Moscow tax base and from leasing Moscow real estate, and if you allowed some controlled corruption, you could make the city into a real economic power center. By using this formula, Mr. Luzhkov has repaired the potholes of Moscow, built some new gold-domed churches, parks and housing, even a municipal golf course. In the process he brought Moscow’s unemployment to near zero, while making Moscow more livable and himself one of the most popular politicians in Russia.”<sup>28</sup> The centrality of the Mayor’s role aside, Mr. Friedman’s summary of Moscow’s transition is a neat one.

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<sup>25</sup> “Архитектура и строительство Москвы”, 1995, № 3, p. 3.

<sup>26</sup> This practise is addressed in detail in Chapter 3.

<sup>27</sup> *The Russian: America’s Premier Guide to Business in Russia*, March 1997, Los Angeles, Marina Publishing, Inc., p. 44.

<sup>28</sup> As quoted from *International Herald Tribune*, 11.07.1996.

A more pessimistic western view appears from veteran Moscow correspondent David Remnick: "Luzhkov's reputation in Moscow is like that of Richard Daley at his peak in Chicago. Everyone assumes he uses less than ethical means to achieve constructive ends and almost everyone excuses him everything ... He was a builder. He got things done. (Never mind exactly how.) Operating almost independently of the national government, he acts as the economic overlord of the center of Russian wealth ... [Says a former deputy mayor], 'This is a time when the market exists, but under the strictest supervision of the state. He is father, administrator, supervisor, boss.'"<sup>29</sup>

Despite their divergent view of the transition, both of these ably-formulated commentaries make it clear that the goals of Decree № 217 have not come about. When the City began receiving inventories of floor space and infrastructure sufficient to meet municipal and social-service need, it did not reduce its level of equity. It did not seek to create a system of fiscal tax or rent collection. Instead, it undertook grand new projects, such as the reconstruction of the Christ-the-Saviour Cathedral at its prominent old site,



Figure 2.1: The Cathedral of Christ-the-Saviour, being rebuilt 24 hours per day to meet the deadline of Moscow's 850th anniversary celebration in 1997. (Photo: Author)

and the construction of an underground shopping mall in Manezh Square, immediately west of the Kremlin. In building the mall, the City bulldozers shattered the tracks of what was thought to be a secret rapid-transit line built by Stalin.<sup>30</sup>

Such projects are indicative of a government that is mercantilist, but not free-market — driven by profit, but generally resistant to competitive practices and to transparency of

<sup>29</sup> *National Geographic*, Vol. 191, № 4, April 1997, pp. 92-93.

<sup>30</sup> Interview with Aleksandr Sergeyevich Podyapolskii, chief art expert for the Russian Ministry of Culture's "Central Restoration-design Workshops", and a keen observer of the Manezh Square project.

its own transactions. This study will assume that the City's mercantilist behaviour will continue. The City will be something of mega-corporation into the foreseeable future. At the same time, however, the City is a government, with organizations, laws, and institutions that are meant to facilitate and regulate private development. It is with these organizations, laws, and institutions that this study is concerned.

### **The investment contract as vehicle for redevelopment**

There exist two vehicles for privately-financed investments in center-city Moscow real estate: auctions operated by the Land Committee and investment contracts offered by the Central Okrug Prefecture, in conjunction with historic-preservation officials. Unlike the land auctions, which occur on a bimonthly basis and only on certain parcels that the Land Committee chooses to announce shortly prior to the auction<sup>31</sup>, the investment contracts can occur with respect to any of over three thousand buildings which have been on the City's list since January 1993 (Decrees 5 and 6).<sup>32</sup> This list simply names the addresses of buildings in the Central Okrug (and most of these within the Garden Ring) that are owned by the City and in need of reconstruction. Since 1993, 600 contracts have been signed, many for more than one building. But today, only 50 of the investors are continuing their commitments under the investment contract, according to Muzykantskii. The rest have chosen not to exercise the development option the contract gave them, or have failed at some stage of development and have abandoned their projects. Many abandoned projects have been turned over to other investors. Others still await a willing developer.

If a developer proves successful, studies, approvals, plans, and other documents will be attached to the investment contract as part of the overall body of documentation required in order to erect or reconstruct a building. The investment contract places the onus of feasibility studies and other research on the investor. It is Muzykantskii's contention that the City does not (even as of 1997) have the means to conduct such studies. One official, when asked if the process of constant searching and researching for the same basic information about a project might not be especially conducive to repetitive payment of fees to various bureaucracies, allowed that possibility.

### **A complex process**

The process of project approval is widely perceived as complex, and some seemingly hyperbolic utterances carry more than just a dose of realism. "There's a lot of red tape, and everyone's got his hand out," says Scott Bromley of Bromley Caldari Architects in New York. "It's similar to a city like New York, just magnified by a factor of ten." ... Timothy Bryant, construction director for a Liebman Melting project, says that during a project, "whole government agencies may disappear, or new rules, regulations, decrees, taxes, fees, and governing personnel with altogether different agendas will continually appear and change." ... "Russian architects are indispensable in guiding a project through an obstacle course of seals and signatures. And the Russians are learning the capitalist system well. Some now specialize as approval

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<sup>31</sup> *Real Property Markets and Urban Development: Russian Reform and International Practices*, transcripts of symposium at Leontief Centre, Paris, ADEF publishers, 1994, Sergei Melnichenko.

<sup>32</sup> Interview with Aleksandr Ilyich Muzykantskii.



expeditors.”<sup>33</sup> The following chapter will follow this complex process step-by-step. Before embarking on such an odyssey, however, it is important to register the dissatisfaction that many Muscovites keenly feel with the city that has resulted.

The dissatisfaction, of course, is with many economic and social facets of daily life (these need not be chronicled here); but it is also with the physical shocks — a fantastic explosion of outdoor advertising, buildings that by most accounts do not fit their environments, and buildings that are perceived as superficial homage to their environment, almost a mockery of the very process of reclaiming historical heritage.

### **Whither Moscow’s character?**

“If [a] proposed structure is in an area classified as historic by the city, the [historic preservation authorities] may require refurbishment of some existing features of a building. The authorities tend to focus their eyes on street level when they vet the æsthetic qualities of a proposal, and are often prepared to allow modern plate glass facades on upper stories as long as the lower three stories are in keeping with traditional Moscow style.”<sup>34</sup> So writes American architect Jonathan Ennis, in an article giving advice to English-speaking designers and developers. As an example, he presents a building near Taganka Square (figure 2.2).



Figure 2.2: The “Park Towers” on ul. Taganskaya; under A. V. Kuzmin, such designs face likely vetoes. (Source: *The Moscow Times*, 26 February 1996.)

<sup>33</sup> *Progressive Architecture*, August 1994, Michael J. Crosbie.

<sup>34</sup> *The Moscow Times*, № 907, February 26, 1996, Jonathan Ennis.

No prescription could bring so much dismay to Chief Architect Kuzmin as this one. “When 20 years ago the order would come down to design a house for the Party’s Central Committee for so-many apartments, at least the architects did not lie that this would improve the historical development along Arbat. Today, on the other hand, we can hear arguments by the authors of several designs to the effect that ‘We managed to integrate a high-story building near Taganka Square [and other places] in a way that makes it unnoticeable.’ But where is the logic here? First of all, tall buildings are put up for the very reason that they should anchor the surrounding ensemble, that they should be noticeable. Secondly, how can they in fact be ‘hidden’? Thirdly, why not utter the honest truth — that the investor demanded a maximum area on the parcel, and this was only possible by expanding the number of floors?”<sup>35</sup>

The disruption of ancient paths and views runs wholly against his vision for Moscow’s future: “For example, behind the ‘Balchug’ hotel, a huge new office-and-banking complex is going up with two towers<sup>36</sup> which will forever close the view of the Kremlin from Pyatnitskaya street. This historic streets has found itself locked by this building. It has become a dead end.”



Figure 2.3: Riverside Towers occupy a prominent location at the foot of Moscow River Bridge, and their twin turrets have turned historic Pyatnitskaya street into a dead end. (Photo: Author)



Photo: *The Russian*, p. 46, courtesy Jones Lang Wooten



Source: National Geographic

<sup>35</sup> Вечерняя Москва, Interview with A. V. Kuzmin, by Alla Shugaikina, September 1996.

<sup>36</sup> This development is known and marketed to western firms as “Riverside Towers”.

Kuzmin is not blind to the opportunities within the dissonance of today's Moscow. "Today, the crest of the wave has carried forth the representatives of the so-called 'wild capitalism', with a taste and ideas of respectability to match. However, it was they who gave our architects a chance to practice creatively, for the first time in many years. Much has been achieved of which we could not have dreamed ten years ago. Hundreds of dying monuments of architecture have been restored. Whole blocks in the center have been improved."<sup>37</sup>

Restoration alone, however, is not a panacæa. Under the headline "Bad Times for Fine Architecture", accomplished architect Alexander Skokan argues that "Contemporary Russian architecture has left one bank of the river and has still to reach the other." He speaks of "a weird 'New Russian Architecture', which denies all the best achievements of Soviet architecture and follows its most unsavory traditions. Like it or not, Soviet architecture's social aims, false and superficial in many respects, still enabled it to solve major problems and gave rise to a definite Style ... When the former standard vanished architects seemed to be unprepared to work in a market free of any outside directives and limitations."<sup>38</sup>

Now, "many architects disappointed in 'modern' architecture have turned to [a] superficially understood 'traditional' or 'Moscow traditional' style, though nobody has ever defined it professionally. Architects are now fulfilling the commercial tasks of the day ignoring the social aspects of urban development ... Unlike the 1920s, which gave rise to the famous Russian avant-garde art against the background of economic and social disorder," argues Skokan, "today's situation, though as turbulent and disorderly, is not marked by a spiritual revival."<sup>39</sup>

The lack of an agreed-upon vision for the city carries several drawbacks. It is inefficient economically — the effort and time required to agree on every project becomes akin to reinventing the wheel. It forces architects to misapply their best talents — "Now architects are hired as people who know how to approve a design and get all the necessary seals on it. This is definitely a useful and often well-paid role, but it leaves most of the architect's creative potential unused."<sup>40</sup> Finally, these deadweight losses on both developers' time and architects' energy cannot but damage the quality of Moscow's urban environment.

These are all powerful reasons to create a plan for center-city Moscow and implement it in a streamlined fashion. This study assumes no single reason to take such steps. Economic and urban-design prerogatives both point in the direction of a readily-available plan for the parcels and buildings of center-city Moscow.

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<sup>37</sup> *Vechern'aya Moskva*, Вечерняя Москва, Interview with Aleksandr Victorovich Kuzmin, by Alla Shugaikina, September 1996.

<sup>38</sup> Moscow News, 13.6.1996, Alexander Skokan.

<sup>39</sup> *Ibid.*, Alexander Skokan.

<sup>40</sup> *Ibid.*, Alexander Skokan.





## Chapter 3: Approval of a Project

This chapter outlines the process of design and development approvals. The acronyms and functions of the agencies involved in the process, their purview within the process, and the documents through which they act are summarized in Appendices 1, 2, and 3. The reader may wish to peruse these appendices, and/or to refer to them as necessary throughout this study.

### The lens of a “standard example”

There has been an attempt to standardize, by statute, the steps in the design approval process in all of Moscow. Officially, the required documents have been standardized since January 1, 1995.<sup>41</sup> The City government’s “Decree on a single order of pre-design and design preparation for construction in Moscow” was signed by the Mayor. The regulation’s several dozen pages in fact cover more material than is actually required, according to developers. The procedure may be standardized, but it is not cleanly followed. The Central Okrug Prefecture, for its part, says it is hoping to move away from some of the very requirements that are codified in the “Single order” decree. The most significant of Prefect Muzykantskii’s desired changes is the elimination of any supervision over privately-funded development by the Moscow Non-departmental Expert Commission, a body whose Soviet-era purpose was to scrutinize public expenditures.

The process of obtaining all necessary supporting documentation — from land tenure rights to final occupancy permit — will be introduced not with a guideline but with a real-life example. The benefits of such an introduction are these:

(1) An example of a recent approval process reflects, more accurately than the official City template, the actual requirements to which a project is held. Not all required documents are filed. Not all filed documents appear in their prescribed form or fulfill their prescribed function.

(2) An example shows the *specific* conditions that have been set forth. The “Single-order” decree merely lists the types of conditions that are to be set forth.

(3) An example that is more or less “standard” can serve as a good benchmark by which to judge other examples, which can be instructive by virtue of their deviation from the norm.

The main pitfall of a “standard-example” method is the difficulty one faces in labeling a given example as “standard.” There is a magnitude of variables in each case. This pitfall is especially relevant in a fully differentiated product such as real estate. In order to find a good “standard example,” the author has assumed that the best judges of “standardness” are the process participants themselves — developers and/or designers.

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<sup>41</sup> By decree of the Mayor dated 11.11.1994.

The example selected is a six-story structure at 33/5/2 Gagarinskii pereulok (formerly “ul. Ryleeva”). It was selected because the structure has been completed and is occupied; because its supporting documentation was in neat order; and because the building’s architect spoke of it as a successful project. It also had a rather common complication: midway through construction, the client asked for a sixth-floor mansard instead of a rooftop garden.

33/5/2 Gagarinskii per. is an address<sup>42</sup> in the so-called “quiet” quarter of the city, a prestigious area whose boundaries can be defined as the Boulevard Ring on the east, the Arbat on the north, Prechistenka on the south, and the Garden Ring on the west (see Figure 3.1). The investor was a closely-held joint-stock company, Izluchina JSC<sup>43</sup>, with headquarters at this very address. The building, as evidenced in the documents, was a two-story structure dating from pre-Revolutionary times. The investing firm had rights to occupy the entire building under a 25-year lease entered into on 28 September 1993, with the Moscow Committee on Property (“Moscomimushestvo”) as Lessor. The rights vested in Izluchina under the lease were occupancy, maintenance, and operation of the building (a lesser form of ownership than an outright lease, but greater than a sublease), but Izluchina held no rights to the land. Izluchina intended to modernize the building, continue to use it as its headquarters, but also rent out a portion of the office space.

The following outline highlights only the defining documents related to land tenure and urban design. It leaves out other steps *sine qua non*, including certification of the Epidemiological Supervisor (health officer), fire safety officials, and others.

#### **Document 1<sup>44</sup>:**

On 14 April 1994, during the seventh month of the Lease, the Lessee obtained certification from the Real Estate division of the Committee on Property that there was, in fact, a lease.

This step was necessary in order that the Central Okrug Prefecture issue an investment contract without advertisement and perhaps competitive proposals. A certification from Moscomimushestvo about the original lease sufficed to prove that there would be no controversy over title. This step is redundant in most cases, but should become less so in the future, as private investors begin to own the buildings which they construct, and lease them out. In those cases, it will be important to avoid confusion about building owners and tenants.

**Document 2<sup>45</sup>:** Executive Order of the Prefect, on questions of legal and economic regulation of land use, № 377-p МКЗ. The articles of this document are summarized as follows:

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<sup>42</sup> The word “address” is used specifically to mean a parcel with a bi- or tripartite number (e.g. 33/5/2), within which there can be one or many buildings.

The abbreviation “per.” stands for “pereulok” — a non-arterial cross street.

<sup>43</sup> JSC is the English abbreviation for Joint-Stock Company — that is to say, a corporation. JSCs can be closely held or openly traded. The Russian term for JSC is “Aksionernoe obshchestvo” or AO. Russian law also provides for limited partnerships and other corporate forms.

<sup>44</sup> Российская Федерация, Правительство Москвы, Москомимущество, Управление Недвижимости. Свидетельство № 004207, 14.04.1994.

Citation of underlying legislation: Russian Federal Land Code (since repealed and not yet replaced) and Executive Order of the Vice-Mayor (who was then Mr. Luzhkov) establishing the land lease as the fundamental form of land tenure right in Moscow, as opposed to the Land Code's promise of land ownership in perpetuity.

Article 1: Prefect orders that there "Be granted to Izluchina JSC the right to use a land parcel, 0.054 ha in area, at 33/5/2 ul. Ryleeva, building 1, as shown on [attached plan], on the basis of a leasehold, in order to operate a building for administrative-management purposes."

Article 2: Prefect orders that "A land lease with Izluchina JSC be signed, subject to the following conditions: (2.1) Lease term shall be 25 years in order to coincide with lease of immovable property [i.e. the building only]... (2.2) [Lessee must execute] the carrying out of capital reconstruction within a period of two years from the date of land lease execution."

Article 3: Prefect orders that "Lessee be obligated to (3.1) Execute a land lease at Moscow Land Committee with one month; (3.2) Provide timely payments of land rent..."

Article 4: Prefect orders that "Moscow Land Committee apply penal sanctions, as provided by land legislation of the Russian Federation and by city Acts, in case of evasion of rent by Lessee... or Lessee's non-fulfillment of articles in the land lease."

Seal and signature

Circulation

Executive reference

No onus is placed on the Land Committee to complete the land lease. It is presumed, of course, that the Land Committee is interested in completing the lease, but only the investor is under obligation to do so. In practice, this language assures that the investor will pay the price that the Land Committee names. Not only does the City set an inflexible price of land rent as a monopoly owner,<sup>46</sup> but the investor has an additional reason to conclude the lease quickly: to avoid being in violation of an executive order.

### Document 3<sup>47</sup>:

The land lease agreement itself, signed three business days after the Executive Order. The articles of this document are summarized as follows:

Grant of Lease: "The government of Moscow, further named 'Lessor', represented by Victor Nikolayevich Aptsaturov, President of the Moscow Land Committee, on the one hand, and Izluchina JSC, represented by its Director General, Yuri Aleksandrovich Skobeltsin, further named 'Lessee', on the other, [on the basis of Document 2], have signed an Agreement to the following:"

Article 1: Object and purpose of lease. This article includes the following section: "Landscape (Qualitative) characteristics of Premises: the terrain of the parcel is even. Upon the premises exists: a two-story brick structure, slated for capital reconstruction." There is also a section titled "Special Conditions of Agreement", in which Lessee affirms obligation "to complete

<sup>45</sup> Правительство Москвы, Центральный Округ, Префект. Распоряжение по вопросам экономико-правового регулирования землепользования, № 377-р МКЗ, 27.05.1994.

<sup>46</sup> By Executive Order of the Mayor № 347/1-ПМ, "On measures of economic regulation of land use in Moscow", dated 1 October 1996 (Распоряжение Мэра Москвы от 1 октября 1996 г. № 347/1-ПМ, О мерах экономического регулирования использования земель Москвы), the Moscow Land Committee and the City have ratified a multivariable index of normative rents for short-term leases. There are 69 valuation zones and 31 subzones of especially high value. Within any zone, there are coefficients for each specific type of land use or other condition. For example, Federal Ministry offices, senior citizens' and veterans' residences are assigned a coefficient of 0.01. Trading kiosks are assigned 5.0. The system might prove serviceable in the short term as a proxy for property valuation, but its long-term viability appears unworkable, inasmuch as it may make judgments about the relative value of land which do not correspond to the market whatsoever, and then "locks in" relative values of land over time.

<sup>47</sup> Правительство Москвы, Московский Земельный Комитет. Договор о представлении участка в пользование на условиях аренды (договор аренды земли). № 01-000642, 31.05.1994.

the capital reconstruction of the building within two years of the moment of recording of this Agreement.”

Article 2: Term and method of payment. The term is 25 years. Review of rent for purposes of escalation is provided for (but no automatic indexing). An arrangement for wire transfer of funds is outlined.

Articles 3 & 4: Rights and Obligations of Lessor and Lessee. Among the most relevant of these are

- the right of Lessor “To maintain checks on the use and preservation of the leased land”;
- the obligation of Lessor “Not to interfere with the management activities of the Lessee, unless it contradicts the conditions of this Agreement”;
- the right of Lessee to sublease the premises, but only on a short-term basis with a 3-year maximum;
- the right of Lessee (but not Lessor), to terminate the lease without cause upon 60 days’ notice and payment through end of lease year;
- the obligation of Lessee “Not to allow activities which lead to the deterioration of the qualitative characteristics of the premises, the ecological condition of territories subject to lease, or pollution of the territory of the City”;
- the obligation of Lessee “Not to violate the rights of other land users”.

Article 7: Resolution of Arguments. Settlement is to be found in a Commission consisting of an even number of representatives from both sides. If not reached within 30 days, settlement is to be found in the courts of Russian Federation. “The parties recognize the decision of the courts to be final and binding upon both parties.”

Attachments: Schedule of payments in ECUs (European Common Units); plan and legal description of the premises.

Seals and signatures

The lease term of 25 years is not as frequent as the usual length — 49 years. In all interviews carried out for this investigation, no participant in the Moscow real-estate business, whether in a private or public capacity, ever singled out the lease term as a point of conflict, once both parties had generally agreed to a long-term lease. On the contrary, when asked, every interviewee pointed out that there is not a problem with lease term duration.

Revision of rent is a clause about which members of the private development community were mildly wary, even though at the time of interview none of them had been subject to unexpected review or increase of rents. One saw a general unfairness in escalating rent when improvements to a property are made. Unlike an *ad valorem* property-tax system, under which a public entity presumes value of a structure and appurtenances to be a proxy for consumption of municipal services, the Land Committee escalation would be only partly a services tax, but mostly a power move aimed at capturing the appreciation in land value. A landowner should grant credits to a tenant who improves the value of land, he argued, not the reverse.<sup>48</sup>

All “rights and obligations” as listed in articles 3 and 4, are relevant in meaning to the investor, but not so to the Land Committee. In practice, the Land Committee is primarily occupied with rent collection. It is concerned not at all with other provisions, as long as the leasing of adjacent parcels is still possible.<sup>49</sup>

<sup>48</sup> Interview with anonymous individual # 1.

<sup>49</sup> Interview with Sergei Gavriilovich Konchenko, liaison of Territories’ Development Corporation (KRT) to Moscow Land Committee.

#### Document 4<sup>50</sup>: Investment Contract №9-518/p-1.

The Central-Okrug Prefecture and Izluchina did not reach an investment contract until 16 May 1995. The Investment Contract is usually the *first* document to be issued by the City to a potential investor, as evidenced by its article 4, discussed below. The contract's purpose, as Prefect Muzykantskii phrased it, "is really to be an option. It must get the investor to believe he can begin the preliminary legwork, and it generally succeeds in this task." In this case, such a guarantee was apparently not necessary, because the investor already had certification of lease. Rather, the Investment Contract was signed shortly before the major expenditures — the reconstruction itself — were to begin.

Price Waterhouse aided in the development of the standard contract template, and found the document to be valid, while making some adjustments.<sup>51</sup> Western investment firms, according to Muzykantskii, have been satisfied by it.

The important conditions regarding ownership, project delivery, timing, environment, and design, are examined below.

Article 3: (3.1) "From the moment of completion by both parties of all obligations<sup>52</sup> under this Contract, the Object<sup>53</sup> shall be shared property of the parties."

— (3.3) "Upon completion by the parties of their obligations under the Contract, the shared property shall be divided physically, such that: [the] Object becomes the shared property of the parties under a ratio whereby 50% of the total [floor] area is assigned to the Investor, and 50% — to the administration" of the City.

— (3.7) "In the event that, during the course of project realization, Investor should, by reason of modern technologies or other solutions, provide useful floor area in excess of those contemplated in the Contract, that additional floor area will be distributed in the following manner: to the investor — 50%, to the administration — 50%."

— (3.8) "In order to avoid difficulties in the management and operation of [the] Object, property in which is shared, Investor is granted the right to offer, not later than six months prior to completion of construction, a non-residential floor space of equal area and use value, as an exchange for the Administration's share in the Object under construction."

Some notes are in order about the foregoing article, for it is the basis of perhaps the most notorious characteristic of development in post-communist Moscow. The idea espoused in section 3.1 (irrespective of the actual percentage division) has been noted as unorthodox by many a western observer, but was not surprising to a single developer or official interviewed in the course of this investigation. This is partly due to historical perspective. City ownership of a project in Soviet times was 100%. Given the bankruptcy of 1991, as cited and often repeated by officials, the arrangement was necessary.<sup>54</sup> In later years, however, and continuing through the present, the chief

<sup>50</sup> Контракт на реализацию Инвестиционного проекта на территории муниципального района "Хамовники" Центрального административного округа г. Москвы.

<sup>51</sup> Interview with Aleksandr Ilyich Muzykantskii, prefect of the Central Administrative Okrug, and first deputy mayor of Moscow during the time of the development of these contracts.

<sup>52</sup> Completion of all obligations occurs at the end of the three stages described in Article 4 of the investment contract.

<sup>53</sup> The word "object" is in this case a transliteration of the Russian "объект", which is to be understood as the constructed building and utilities; it is distinguished from "проект" ("project"), which includes both the hardware of the "object" and all the intangible rights, agreements, and obligations which relate to it. The underlying right of ownership of land is exclusively the City's, and not included in either term.

<sup>54</sup> "Архитектура и строительство Москвы", 1995, № 3, p. 3.

reasoning behind the 50/50 arrangement has been the massive capital investment by the City itself for the 1997 celebration of Moscow's 850th anniversary.

Another reason for the acceptance of the 50/50 arrangement is that the Russian economy in general is dependent on bartering.<sup>55</sup> The City treats its stock of space as an in-kind substitute for currency. It receives floor space as revenue — but it also uses floor space as expenditure. A section related to residential relocation (3.9) provides that if an investor incurs costs of connecting utilities to a new building (meaning a building on the outskirts for residents being relocated), then the investor will be compensated by “a corresponding floor area from the municipal portion [of the Object], in a quantity which compensates the additional outlays.” The City even accepts building shares as interest, witness section 10.2:

“In the event that Investor should fail to complete the Second stage [the construction stage] within the time allotted, Administration has right to reduce Investor's share in overall area by 2% for every month of delay.”

The practice of trading floor space can be debated from the point of view of economics. On the one hand, it clearly carries disadvantages in terms of liquidity, both for the City and the investor. Floor space overlooking a city street would not, in a more orderly economy, be preferable to funds in the treasury. One City official argued that there cannot credibly be such a concept as “funds in the Moscow treasury,” given today's state of affairs — finances and accounts are far too murky for that to be a reality.<sup>56</sup> When presented with the opinion that municipal outlays such as road construction are not easily paid in floor space, the official replied, “In Moscow, bartering is very common and fairly well advanced. Payments can be made in inventory, shares of corporate stock, easing of regulatory supervision,” and exchanges of property rights, including the right to use City-owned space.

One might posit an additional argument for the shared-property approach. Given the inescapability of yielding so much revenue to the City (an assumption which is made here only temporarily), there are economies of scale in constructing two buildings and giving one to the City, as opposed to constructing one building and paying the City an equivalent cash amount. The scale economies are evident not only in savings on materiel, but also in the approvals process itself — an experience whose duration and cost to all parties is not halved by the construction of one building as opposed to two.

Once one grows used to the concept of extensive bartering of real estate, the 50/50 distribution need not be seen as a magic number. To the contrary, shares of development are negotiable. For example, several interviewees noted the proliferation of 70/30 divisions in the last year.<sup>57</sup> The main reason behind a 50/50 distribution is ease of construction: a wing of a symmetrical building, perhaps with its own heating core, is easily divisible from the other wing (thus avoiding the difficulties envisioned in section 3.8 above), and a 50/50 division is therefore desirable. But if the parties agree beforehand to a particular ratio in fiscal terms, then that ratio should be possible to achieve in physical terms.

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<sup>55</sup> See, for example, *Wall Street Journal*, “Where Cash Isn't King”, 1.5.1997, p. 14.

<sup>56</sup> Interview with anonymous individual # 2.

<sup>57</sup> Interviews with Sergei Gavrilovich Konchenko, Fyodor Vasilievich Tikhomirov, and Lyubov Yurievna Tsvetkova.

On the other hand, the division and bartering of space is a system well suited to corruption. There is no exhaustive appraisal system of structures, or the relative value of two structures (for example, one served by parking and the other not served; or one at street-front and one in back). The qualitative division is therefore not easy to evaluate. Because of the acceptability, in practice, of various ratios, the reasoning behind each division need not be enumerated — a practice which allows for arbitrary transfers of building shares in exchange for other consideration, including kickbacks. Apparently, such practice had become widespread, because the Mayor's Executive Order № 435/1-PM, "On the forbidding of transfers of City's shares", dated 29.10.1996<sup>58</sup>, reads:

"In order to guarantee the interests of the City during the reconstruction of municipal objects of real estate ... Moscomimushestvo and the prefects of the administrative okrugs are to forbid, henceforth, the conclusion of any additional agreements providing for the transfer of the City's shares to investors or other organizations as consideration for work which they will have completed under investment contracts."

Bartering in the investment contract is still allowed, but no longer on the side.

"Article 4: Duration and stages of the Project," breaks the project into three stages. This study addresses in detail only Stage One.

4.1 Stage one.  
Contents of the work of this stage:

- Drafting and registration of urban-design instructions;<sup>59</sup>
- Registration of Acts of land tenure;
- Development of and assent to the TEO;<sup>60</sup>

Terms for the completion of work:

- Beginning of stage — date of Contract signature;
- End of stage — date on which TEO shall have been duly confirmed;
- Duration of stage — not more than six months from the date of signature of this Contract.

4.2. Stage two.  
Contents of the work of this stage:

- Conclusion of agreements for lease of land parcel;
- Execution of the full scope of design, construction, and start-up/adjustment work at the Object.

Terms for the completion of work:

- Beginning of stage — date of TEO confirmation;
- End of stage — date of instrument of state commission confirming the acceptance of the Object as operational<sup>61</sup>;
- Duration of stage — as set forth in a schedule ... attached.

4.3. Stage three.  
Contents of the work of this stage:

<sup>58</sup> Правительство Москвы. Мэр. Распоряжение № 435/1-PM, 29.10.1996, О запрещении передачи долей города.

<sup>59</sup> The concept of an urban-design instruction receives due treatment below.

<sup>60</sup> The TEO, Technical-Economic Basis, is the design and budget of the project. Its formation and approval occurs in Documents 6 and 7.

<sup>61</sup> That is the equivalent of a "Certificate of Occupancy".



<ul style="list-style-type: none"> <li>— Closing of accounts and resolution of outstanding claims;</li> <li>— Registration of property rights in the Objects.</li> </ul>
<p>Terms for the completion of work:</p> <ul style="list-style-type: none"> <li>— Beginning of stage — date of instrument of state commission confirming the acceptance of the Object as operational;</li> <li>— End of stage is generally the signing by both parties of an instrument regarding the results of the Investment Project;</li> <li>— Duration of stage — three months.</li> </ul>

The sections of this article which are the most promising for developers, and at the same the most problematic, are the duration clauses. There is no statement as to the primary obligation with respect to meeting deadlines. Neither the City, nor the Investor, nor both parties are explicitly charged with seeing to the timeliness of project completion. Investors generally have no reason to seek project delay. City officials, however, may have two reasons to do so. The first is genuine concern about the design or the proposed use. The second is rent-seeking.<sup>62</sup> Stalling can occur because of any combination of the two.

The approvals deadline of six months poses a quandary for investors: what if an agency of the City stalls a project, whether for good reason or bad? Is one of the parties “at fault”? Article 9 section 3 (detailed under “Article 9”, below) places the onus of acquiring approvals on the investor. In case of inability to meet the deadline, the two possible results can be a charge of breach of contract, or an agreement (tacit or written) to disregard the six-month provision of the contract. One developer interviewed for this study mentioned the six-month figure as something of a joke, yet another example of the discordant state of law and order in Russia.<sup>63</sup>

Another developer thought that the six-month figure amounts to at least a good-faith promise by the City; for the City to delay a project, therefore, should not be taken lightly.<sup>64</sup> Asked if delay might not be the only reasonable step to take if the Investor produces a design far out of the scale and conditions presented by the City, he answered that such a thing does not usually occur. “There would be no investment contract without at least a general idea of the massing and functional use of a project. The delays I speak of are a sort of arbitrary step.”

The chief architect, A. V. Kuzmin, would see such a delay differently: “It is most important for the Architecture and Urban Planning Committee to rid itself of the feeling of helplessness — or, more accurately, of spinelessness — of the deferral by some officials before the demands of the investor. In fact, the ‘omnipotence of the client’ is a fabrication, which many find convenient.”<sup>65</sup> Driven by this philosophy, Kuzmin ordered a sixteen-story building on Taras Shevchenko nab. stopped just before construction was

<sup>62</sup> Every interviewee who was asked whether bribery and rent-seeking behaviour exist in the process of development answered in the affirmative. This fact is widely considered to be common knowledge. However, the question was not put to every interviewee.

<sup>63</sup> Interview with Lyubov Yurievna Tsvetkova.

<sup>64</sup> Interview with Fyodor Vasilievich Tikhomirov.

<sup>65</sup> *Vechern'aya Moskva*, Вечерняя Москва, Interview with Aleksandr Victorovich Kuzmin, by Alla Shugaikina, September 1996.

to begin. The intent was to freeze all construction in the Krasnopresnenskaya nab. area until the scale of development is thought through.<sup>66</sup>



Figure 3.4: High-rises in the so-called “SITI” international business centre, near the Federal Government offices, spurred Kuzmin to freeze all development in the area, pending a new plan. Photo: *The Russian*, p. 46, courtesy Jones Lang Wooten.

A. R. Vorontsov, the head of the Main Architectural/Planning Directorate and deputy chief architect, commented that delays occur for a variety of reasons, and in reality can be the fault of either party. There exist rent-seeking bureaucrats; and there exist bureaucrats who conscientiously will not allow some projects to be approved on their watch. There exist developers who are constantly revising floor areas upward and seeking to make the environment around their buildings more isolated; and there exist developers who introduce legitimate changes during the course of the approvals process. He added that often projects *are* approved within the six-month allotted time.

Further obligations of the two parties are separated by the party that is to be held responsible. Some of these obligations are summarized below.

Article 5: General Obligations of the Parties.

5.1 Administration is obligated:

— (5.1.4) “To give Investor necessary cooperation with respect to areas of the project which fall under Administration’s competence, including ... the preparation and approval of Executive documents which are necessary for project completion.”

— (5.1.5) “To give Investor necessary cooperation with respect to registering, in the established order, his rights to land parcels within one month of the approval of the TEO.”

— (5.1.6) “Upon completion by Investor of his obligations under the Contract, to provide for the registering, in the established order, [Investor’s] property rights in [the] Object within a period not longer than three months from the moment of Object’s operational occupancy and the issuance of corresponding certification.”

5.2 Investor is obligated:

— (5.2.1 - 5.2.4) To provide all financing, all construction, and timely completion of construction.

<sup>66</sup> Interview with anonymous individual # 1; “Nab.” is an abbreviation for “naberezhnaya” — embankment.

The above arrangement can theoretically be very neat. It amounts to: City will issue the parameters, and developer will build according to the City's instructions. If such were the case, there would not be much difficulty. Furthermore, as Article 9 section 3 demonstrates, the City risks contract termination if it does not furnish the set of instructions in accordance with Article 5 section 1. At the same time, the City's urban-design instruction and other related documents make no attempt to offer a realistic cap on floor space, height, or bulk of a development. They also make no attempt to account for the investor's stated preference as to the market need of a given parcel. The degree to which the City ought to address these issues can and will be a point of discussion in this study. What is undeniable, however, is that the obligations outlined in Article 5 are not settled neatly. Everything is negotiable, and therefore both sides seek to limit up-front concessions or guarantees.

Article 9: Amendment and Termination of Contract

— (9.3) Administration has right, at its sole discretion, to demand termination of Contract in the event that Investor should fail to abide by the Project deadlines as outlined in ... sections 4.1 and 4.2, or should fail to provide for the execution of sections 5.2.1 through 5.2.5 of the Contract.

In such an event, Administration has right to transfer development rights to a third party, having reimbursed Investor for expenses incurred. Funds subject to reimbursement shall not include profits foregone or other losses, nor fines and penalties accruing to loans unpaid or obligations not fulfilled, relating to the Project.

— (9.4) Investor has right, at its sole discretion, to file with the Arbitration Court for termination of Contract in the event that necessary Executive documents should not be granted in a timely fashion, as outlined in sections 5.1.1 through 5.1.6 ***deleted text***: and the delay exceeds six months.] In such an event, Administration is obligated to compensate Investor ***deleted text***: all losses, including the value of work completed] ***inserted text***: all expenses, with accounting for inflation.

Article 9 carries balance-of-power implications that demand attention. The first of these is the relationship between City, Investor, and Arbitration Court. The City has right of termination. Investor has the right to seek termination. Investor has the implicit right to fight City's termination in Court. It is a rare case, however, that might compel the City to take its case to Arbitration Court, because the City has almost no sunk costs in a project. It is compensated for the service of providing regulatory and urban-design instructions. It does not physically perform construction work, including most utility connections. Losing the option-value of land is essentially the sole risk faced by the City. For the core reasons outline in Chapter 2, the balance of power is far from even, and Article 9 proves it.

The above-quoted deleted portions of Article 9 section 4 — regarding deadline for project approval and compensation of expenses as opposed to losses — are crucial. The six-month provision was written into the Contract under Article 4, Duration and Stages of Project. The help-with-documents provision was written into the Contract under Article 5, General Obligations of the Parties. Whereas the standard printed text of (9.4) held the *City* to the six-month provision, the “corrected” contract with Izluchina holds the *Investor* to the six-month provision via (9.3). The City is not required to complete documents within six months, but rather simply to provide them.

The second change in (9.4) is largely an accounting question: are Investor's costs to be calculated on the cash method or the accrual method? It is a sign of the City's

pre-eminent position that a clause that specifically allowed the Investor to recapture all value lost was changed to allow only the recapture of outlays made. For reasons not known, Izluchina agreed to both amendments in (9.4).

#### **Document 5: The Urban-Design Instruction/Urban-Design Conclusion.**

In the Soviet era, all development was conducted on the basis of an urban-design instruction. A ministry or bureau or department submitted a request for construction. The Architecture and Urban Planning Committee issued a document that was literally an instruction — an order the Architecture and Urban Planning Committee passed directly to its own in-house architectural and structural-engineering office, Mosproject, where the project was designed from foundation to finishing work. (There are now five Mosproject offices, each with different functions, and each registered as a private company. Mosproject-2 is the department/firm which drafts urban-design instructions today.) With the advent of private investors, the terminology did not immediately change. In most cities, the term has not changed at all. In Moscow, however, the City officially issues a “conclusion”, not an instruction. As the Izluchina case shows, the change in terminology has not caught on, probably because the true meaning of the document has not changed. Furthermore, the Russian acronym for both of these terms — *gradostroitel'noe zadanie* and *gradostroitel'noe zakluchenie* — is the same: GZ.

The City does not make known its conclusion/instruction regarding a parcel of land. There exists no book of such instructions, and they are not kept on file by address. An investor must ask to obtain an urban-design instruction. The investor must pay for the instruction. The investor must wait while Mosproject-2 consults with the Architecture and Urban Planning Committee to create the document.

To A. V. Kuzmin, First deputy chief architect  
Dear Aleksandr Victorovich!

In conjunction with lease of property № 1-881/94 dated 18.04.1994 and Executive Order of the Prefect of Central Administrative Okrug № 377-p MK3 dated 27.05.1994, we ask you to develop an Urban-Design Instruction for the reconstruction of a building located at 33/5/2 ul. Ryleeva, with the addition of one floor.

We guarantee payment. Our credit/debit account is [name of bank and number of branch, account, wire transfer code].

[ss.]  
Director General  
Director of Accounts

On 20 July 1995, the Urban-Design Conclusion (GZ) was issued.<sup>67</sup> Clauses to be discussed and critiqued are summarized and/or quoted below:

*URBAN-DESIGN CONCLUSION*

*as to the conditions of design of objects of construction and reconstruction within the limits of the historical district of Moscow bounded by the Garden Ring.*

Planned object: TEO<sup>68</sup> for reconstruction of a building.

<sup>67</sup> Правительство Москвы, Комитет по архитектуре и градостроительству г. Москвы, Главное архитектурно-планировочное управление. Градостроительное заключение № 043-51/898, 20.07.1995.

<sup>68</sup> The TEO, Technical-Economic Basis, is the design and budget of the project. Its formation and approval occurs in Documents 6 and 7.

Address of planned object:	Gagarinskii per. (ul. Ryleeva), 33/5/2
Municipal Territory:	Hamovniki
Client:	Izluchina JSC
The entire territory bounded by the Garden Ring is part of a zone of special urban-design regulation in historic Moscow, wherein the urban-design conclusion and corresponding design documents are subject to the assent of the Directorate of Control, Protection and Use of Monuments of History and Culture (UGK OIP).	
1. Characteristics of the urban design of the parcel or object; existing conditions and changes planned under previously approved projects.	
The common and informal names of the historic district:	
— "Prechistenka region"	
— Micro-region № 19 <sup>69</sup> , bounded by Gogolevskii Blvd., ul. Prechistenka, Smolenskii Blvd., Glazovskii per. and Gagarinskii per.	
— Block № 168, bounded by Gagarinskii per. (ul. Ryleeva), Bolshoi Vlasievskii per., Maly Mogiltsevskii per., Plotnikov per. <sup>70</sup>	
The block under consideration is small and densely built with pre-Revolutionary buildings. The only undeveloped parcel at this address (corner of Gagarinskii per. and Bolshoi Vlasievskii per.) is currently slated for construction of a six-story residential house with a children's establishment built in.	
The two-story structure subject to reconstruction is on the southern side of this address, occupying the corner of Bolshoi Vlasievskii per. and Maly Mogiltsevskii per.	
2. Requirements and recommendations for the urban design solution...	
2.1 Pre-project historical investigations and historic-preservation requirements with respect to design and construction.	
It is necessary to conduct an historical investigation of the address and existing structures; to have the document approved by UGK OIP; to acquire a Plan instruction from UGK OIP.	
2.2 Functional use, rational placement of designed object, effective planning solution for building and land parcel.	
During the reconstruction project, with the goal of effective operation of the building, it will be necessary to investigate the feasibility of a mansard or some addition, taking into account insolation and illuminance upon neighbouring residential buildings and the planned residential building with a kindergarten (see section 1), as well as any recommendations of UGK OIP.	
2.3 Volumetric/spatial and architectural solution; application of structural and finishing materials.	
During the design of reconstruction of (and addition to) historic structures located in areas of preserved historic environments, it is necessary to take into account the character of the volumetric/spatial structure and scale of the basic components and details of the surrounding development; furthermore, expediently and suitably to use traditional structural and finishing materials.	
2.4 Planning solution for utilities and amenities of the parcel and surrounding territory.	
During the development of a planning solution for the parcel, account for existing trees and capital improvements, and lost historical boundaries between addresses; use small architectonic forms; use tiled paving.	
During the development of a plan for utilities at surviving historical addresses, rely on archival records; absent which, abide by principle of planning organization suitable to this type of development.	
Set fencing along Bolshoi Vlasievskii per. and along the boundary of the address.	
Tie in utility connections with planned new construction along Gagarinskii per. (ul. Ryleeva).	

<sup>69</sup> A micro-region is an architectural-planning zone of several city blocks. This particular microregion contains approximately 71 hectares (175 acres).

<sup>70</sup> An area of .75 hectares, or 1.9 acres.

Yard territory must be used, in its entirety, as a pedestrian zone for the surrounding residential homes and the kindergarten.

2.5 Recommendation regarding organization of transport service to the object or parcel.

It is expedient to find a solution under which a maximum of transport service (motorized access to entry ways, loading points, underground parking entrances) is directly off the street, eliminating the necessity for motor vehicles to enter the yard area; nevertheless, the pedestrian areas and paths must be designed so as to allow emergency vehicles to drive through.

During the planning of any type of construction project, underground parking is to be provided; or, convincing arguments are to be presented as to its non-feasibility.

2.6 Construction norms;

2.7 Organization of construction (so as to minimize disruption).

... [ss.]

Chief architect of Central Administrative Okrug, 25 June 1995  
 Director of Moscow UGK OIP [historic preservation], not dated  
 Director of workshop № 4 of "Mosproject-2", 14 April 1995

An attached document, signed by the department architect of the Hamovniki municipal district, repeats many of the same conditions, adding only two new ones<sup>71</sup>:

*URBAN-DESIGN CONCLUSION*  
*upon an on-site inspection of object or territory*

... 8. Other issues:

- 1) This Conclusion is effective for 12 months.
- 5) Approval of Moscompriroda and the Moscow Forest and Park service is required.
- 6) Upon completion of the reconstruction project, green spaces must be restored.

[ss.]

The conclusion/instruction itself need not be the product of one side's work. If an investor has connections to architecture officials, the GZ can be the product of negotiation. "This part of the approval process can involve some delicate maneuvering, and possibly bargaining," writes an American architect in an English-language publication. "A developer may, for example, offer to trade the renovation of a nearby public park for approval of a higher street wall or greater massing — New York City has a similar bonus plan that permits taller buildings in exchange for greater-than-required first-floor sidewalk setbacks."<sup>72</sup>

Assuming that the architectural direction of this instruction is appropriate, two fundamental questions remain unresolved. The first is the level to which the instruction is prescriptive. The second is procedure and timing.

The overall level of prescriptiveness can be subjected to criticism from two sides: at some points, it delves into minutiae, while at others, it generalizes too much. The tiled-paving provision of (2.4) is surprising to the extent that not all sidewalks and walkways on the block or in the general vicinity are composed of tiled slabs or bricks. Most are not. On the other hand, the "traditional structural and finishing materials" provision of (2.3) leaves the result wide open to interpretation, especially given the now-ubiquitous use of glass as a material, with wildly varying rates of success and with

<sup>71</sup> Правительство Москвы, Комитет по архитектуре и градостроительству г. Москвы, Главное архитектурно-планировочное управление. Заключение по обследованию территории или объекта № 043-51/898, 22.06.1995.

<sup>72</sup> *The Moscow Times*, Jonathan Ennis, 26.02.1996.



much controversy. In the case of this building, the chief architect of the City might have been satisfied. In other cases, some of which are examined in Chapter 4, the results were different. Chapter 6 proposes ways to alter Article 2 of the standard Urban-Design Instruction/Conclusion.

A far simpler criticism to make is that of timing and preparation. Of the six months allotted to the investor, in which time there must not only be produced a GZ, but a TEO (officially — a project budget and a design) approved, it is wasteful that two months should have been required just for the GZ. The waste is not so much in the two-month waiting period as in the nature of the document. There is not a single circumstance in a typical GZ that is unknown beforehand. No detailed studies are undertaken as part of this document — rather, the document can ask the investor to undertake detailed studies. The basic facts such as parcel address are purely administrative. Provisions such as motor vehicle access directly from a street are applicable to all instructions. The only unique conditions were the fencing requirement and three requirements due to the adjacent building: pedestrian zone, mansard, and utility tie-in. These, too, were already known for some period of time — in this case, since April 1993. One wonders if the Urban-Design Instruction might not be a document that can be ready for prospective investors, instead of a document whose nature an investor learns months after having signed a binding contract. Such a procedural amendment would seem to be in line with the City's stated goal of promoting investment in the historical center of Moscow. The nature of this procedural change will be examined and developed in Chapter 6.

#### **Document 6<sup>73</sup>: Instruction for development of a Technical-Economic Basis (TEO).**

This is a document drafted by the *investor*, but in accordance with and subject to the approval of not only the Architecture and Urban Planning Committee but also the UGK OIP, civil defense and security services, and the Moscow Non-departmental Expert Commission, which enters the process at this point, and will serve as a second — developers and many bureaucrats will say “redundant” — check on the execution of every permit and specification.

Given the urban-design instruction, but not yet having conducted all studies, the investor makes more explicit the project design. Several changes occurred between July and September, 1995, and they appear in this document. First, the number of floors has been literally whited out on the page and increased to four floors, plus service floor above, plus enclosed “winter garden” above the service floor. Second, the area of the parcel is 0.085 hectares instead of 0.054 hectares — more than a 60% increase (apparently, Izluchina is being ordered by the authorities to lease land appurtenant to the building). Third, almost no mention is made of any planned residential building with kindergarten (perhaps because it did not bear repeating).

The step which the Instruction assigns is the TEO (“*Technico-Economicheskoe Obosnovanie*”) — the Technical-Economic Basis. The term TEO is a holdover from Soviet times, when every project required a budgetary appropriation. The department that requested a construction project competed with all other departments. No

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<sup>73</sup> Задание на разработку технико-экономического обоснования реконструкции и строительства центрального офиса АОТ “Излучина” по адресу: ул. Рылеева, д.33/5/2, стр.1, Центральный административный округ г. Москвы. 12.09.1995.

appropriation could be made without budgetary justification or basis. Central-Okrug Prefect Muzykantskii claims the city is currently moving in a direction away from the TEO and toward allowing developers simply to present design proposals, without any economic figures. The City, he adds, need not and no longer is dictating to the developer what efficient technologies should be added to the given design. The investor's own economic interest ought to steer him in that direction. Since fall 1996, however, citing some poor-quality construction that was given to the City, the Architecture and Urban Planning Committee has been reviewing some budget figures. Some of the developers interviewed in this study mentioned this practice and found it highly objectionable.<sup>74</sup> By institutional inertia, the TEO has remained the comprehensive "anchor" document for all projects in Moscow. An approved TEO is an approved project.

The *additional* requirements enumerated in the Instruction to develop the TEO are as follows:

<p>2.1 Urban design and architectural requirements.</p> <p>To provide for an appropriate fit, along the boundaries of the building to be designed, with the existing urban design conditions. During facade work, to apply materials and methods traditional to Moscow architecture: decorative stucco, natural stone, wood, metal, cornices, casings/lintels, and other elements of decor.</p> <p>Develop an explicit facade colouration plan.</p> <p>See to the maximal use of the ground floor, with [ample] use of light penetration through windows and wells.</p> <p>See to the high level of amenities in the yard area, including: outdoor lighting, small architectural forms at each yard object, natural planting, automobile parking.</p> <p>2.2 Construction solutions, protective and structural materials.</p> <p>Construction solution is to be based on the use of brick, metal, and reinforced concrete. Engineering study to be completed at the points where existing building will abut planned construction.</p>
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#### Document 7<sup>75</sup>:

The final document is the actual approval of the TEO. Between 12 September and 23 October 1995, Izluchina's TEO was completed, submitted, and approved. The sole permitting agency for this stage is the Moscow Non-departmental Expert Commission, a body that reports to Moscow Government directly, not to any department. The Expert Commission once filled the role of inspector-general for all City-operated construction. Today, its role in private development is that of a second round of consultation and bargaining. It can seek informal advice from any group, and routinely solicits the help of the Council of Moscow Architects. "Criticisms are handed out," writes an American architect with some apparent dismay, "and further demands may be made for changes to the designers' aesthetic decisions. It can be back to the drawing board until consensus is reached."<sup>76</sup>

However, the approval of the TEO draws upon all permits issued in conjunction with a project, and is not simply a repeat of an architectural aesthetics conference.

<sup>74</sup> Interview with anonymous individual # 1 and with Lyubov Yurievna Tsvetkova.

<sup>75</sup> Правительство Москвы, Московская государственная вневедомственная экспертиза (Мосгосэкспертиза). Заключение № 330-П35 МГЭ, 23.10.1995.

<sup>76</sup> *The Moscow Times*, Jonathan Ennis, 26.02.1996.



Health officials, environmental protection officials, fire safety inspectors, and others (see diagram in Appendix 2, page 85), appear as references in this final statement.

<p>Basis of TEO</p> <p>The six above-quoted documents are listed.</p> <p>Construction provided for under the TEO</p> <p>Dimensions of footprint; location of main entry; number of floors and use of each floor (to the degree of "director's office" or "conference room"; specifications regarding roof inclination, materials of roof, of walls, of stairs; designed column loads, elevations, etc.; facade finishing, colours, materials; amenities in 130-sq.m. [1,400-s.f.] pedestrian space).</p> <p>TEO approved by:</p> <ul style="list-style-type: none"><li>— workshop № 4 of Mosproject-2;</li><li>— chief architect of Central Okrug;</li><li>— dept. of greenspace and landscape ("Moszelenhozstroj");</li><li>— federal Epidemiological inspectorate, Moscow division;</li><li>— Moscow Committee for Protection of Environment and Natural Resources;</li><li>— Directorate of fire-fighting service of federal Interior Ministry, Moscow division;</li><li>— Directorate of Control, Protection and Use of Monuments of History and Culture;</li><li>— Deputy chief architect of City of Moscow;</li><li>— State Defense authorities;</li><li>— Working consultation at the office of the chief architect of City of Moscow.</li></ul> <p>As a result of review by Expert Commission:</p> <ul style="list-style-type: none"><li>— Volumetric and planning decision is confirmed, using expensive natural materials and aluminum;</li><li>— TEO corresponds to the requirements of protection of environment and surroundings;</li><li>— Utility network plan outside the building was not presented and therefore has not been reviewed.</li></ul> <p>Obligatory recommendations:</p> <ul style="list-style-type: none"><li>— Alteration of land parcel boundaries, in due order;</li><li>— Prior to construction, utility network plan must be presented.</li></ul> <p>In summary:</p> <p>Overall volume of construction — 14,235 cubic meters, overall floor area — 3,737 square meters; number of employees — 180.</p> <p>[ss. of Moscow Non-departmental Expert Commission officials]:</p> <ul style="list-style-type: none"><li>Acting deputy director</li><li>Director of underground utilities, engineering and transport</li><li>Director of technology and ecology</li><li>Chief architectural specialist</li><li>Chief construction specialist</li></ul>
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Thus, after the seven identifiable milestones, a project is ready to break ground. The portrait here drawn is a rather successful one — design was approved prior to construction; investor achieved additional floor space; architect designed a building that fits its environment, at least in terms of scale and style. The next chapter addresses three cases that are more controversial than the "standard" example of Gagarinskii 33.

## Chapter 4: Case Studies



Figure 4.1: Locus plan of Pushkin museum (Source: National Geographic)

### CASE STUDY 1: Pushkin Museum

The A.S. Pushkin Museum — not to be confused with the more famous Pushkin Museum of Fine Arts — is located on a prominent site due southwest of the Boulevard Ring. The museum had fallen into disrepair, a circumstance which was made personally known to the Mayor during a tour of the premises in fall 1994.<sup>77</sup> The Mayor was also given to know that the building was part of a larger complex of buildings in pre-Revolutionary times (see rendering in Figure 4.2), all of them owned by the Khrushchev-Seleznev family, culminating in a church which had been torn down by the Soviets, and was now the site of a school, Humanities Gymnasium № 1529.

Aleksandr Pushkin (1799-1837) and his poetry have had a unusual fate: not only is Pushkin considered to be the greatest figure in Russian literature, but he has been made welcome by all regimes (monarchy, communist dictatorship, and the post-communist state). The Communist Party, especially, sought political capital out of the elevation of Pushkin's memory. In 1993, the City officially undertook preparations for the Pushkin bicentennial in 1999.<sup>78</sup>

<sup>77</sup> Interview with Yakov Konstantinovich Sarkisov, Deputy Director of Mospromstroj JSC.

<sup>78</sup> Правительство Москвы. Постановление № 854, от 07.09.1993, "О первоочередных мерах по подготовке к 200-летию юбилею А.С. Пушкина в Москве".



The story of this project will be told through the prism of the seven-document structure developed in Chapter 3. Background and commentary is provided with respect to each document.



Figure 4.2: Khrushev-Seleznev complex in Pushkin's times. View is from across ul. Prechistenka. (Source: Pushkin Museum).

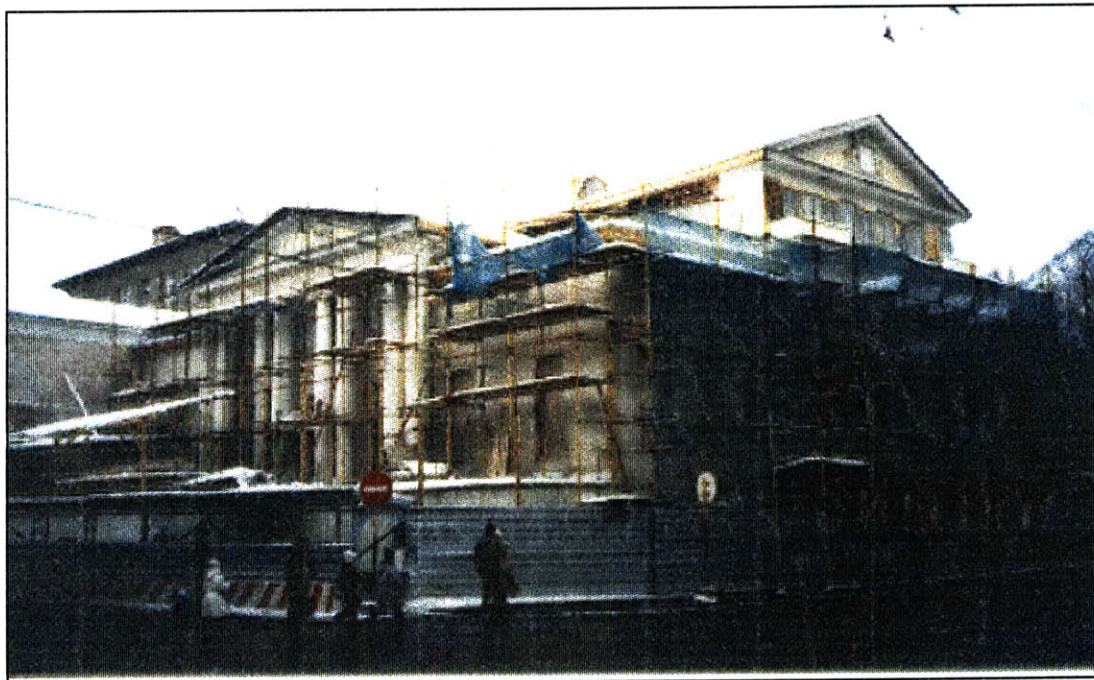


Figure 4.3a: The Pushkin Museum undergoing restoration. View toward the southwest corner of the site. (Photo: Author.)



**Document 1:** Certification of ownership. There was no clear document certifying ownership of the museum, but there was already a non-revenue “Act granting [certain] rights over land” issued by the Land Committee on a Soviet-era template.

State Act is granted to	State Museum of A.S. Pushkin; № M-01-000680
Address:	Prechistenka 12/2, structure 1-7, 9, and 10
Date:	September 7, 1993
Name of Soviet of People’s Deputies:	Government of Moscow
...	
Area:	0.0593 hectares
Type of tenure:	Indefinite use
Purpose:	Functioning of the museum complex
[ss.]	V.N. Astsaturov
Position:	Chairman, Moscow Land Committee
Appendices	

The museum buildings themselves were thought to be property of the State — that is, the Ministry of Culture. By Soviet law, the City held no title to the structure. The Museum’s directors undertook design on the basis of the land Act.

The initial design and approvals documentation appears to have gone smoothly. The museum’s proposal was to have led up to a Document 2: an order of the Ministry to allow the project to go forward. The proposal was to renovate some of the buildings, but most importantly to build an eight-story climate-controlled archive vault (with three floors underground and five above). To that end, the Moscow Committee for Protection of Environment and Natural Resources (“Moscompriroda”) gave approvals to begin the study of the project. Moscompriroda was consulted because a public square with chestnut trees occupied the northwest corner of the block, which was the proposed location of the archive vault. The proposal provided for removal of the trees.



Figure 4.3b: Pushkin Museum, view toward southeast corner of the site (Photo: Author).

Dec. 1 1994, № 845/1-05, to the Director of the State Pushkin Museum, ul. Kropotkinskaya 12/2<sup>79</sup>  
 Moscompriroda approves the delineation of a land parcel for the purpose of developing a TEO for the complex-wide reconstruction of the territory of the A.S. Pushkin Museum, taking into account the construction of a new archive vault. The design (TEO) is to be submitted to [Moscompriroda].  
 Chairman of Ecological Department  
 [ss.] V. A. Gutnikov

Other agencies also granted their approvals, and the TEO was quickly completed. Moscompriroda, among others, then gave approval to the finished TEO:

Apr. 14, 1995, № 148/1-05, to the Director of the State Pushkin Museum, ul. Kropotkinskaya 12/2.  
 ...  
 Moscompriroda approves the TEO for the reconstruction, restoration, and site improvement of the territory of the complex of State A.S. Pushkin Museum..  
 Chairman of Ecological Department  
 [ss.] V. A. Gutnikov

The Ministry offered no funds for the project, however, and no construction was undertaken. Museum managers were forced to consider other options for the restoration.

When Mayor Luzhkov expressed an interest in bankrolling the restoration of the Museum, its directors were quick to assert that the Museum was under the jurisdiction of the City of Moscow, which lent a certain consistency to the Mayor's undertaking. The Mayor, for his part, acted quickly. He was undoubtedly cognizant of the symbolic value of rescuing the museum. By the fall of 1996, the Ministry of Culture did become interested in the progress of the project, and a suit between the Ministry and the City's Department of Culture, regarding the eventual control of the museum, was pending in the courts as of January 1997. The progress of the work itself has continued without regard to the court proceedings.<sup>80</sup>

This "second try" of the Pushkin Museum project has seen conflict at almost every phase. Perhaps because there was no private investor in the project, the arguments brought forth by various interested parties trying to steer the project have at least been entertained, and some have succeeded. The document that jump-started the project is a case-in-point that the urban-design processes in center-city Moscow could be improved. This document came from Moscow government itself, in the form of Decree № 860, "On the construction, reconstruction, and restoration of the State A.S. Pushkin Museum complex (Prechistenka, 12/2)", which the Mayor signed and sealed on 17 October 1995.<sup>81</sup> Decree № 860 fulfills the function which has been labeled in this study as

## Document 2:

Government of Moscow  
 Decree, 17 October 1995, № 860  
 In conjunction with [specified decrees of the City], the Government of Moscow hereby orders that:

<sup>79</sup> Ul. Kropotkinskaya (named after an early communist) was re-rechristened to its original name, ul. Prechistenka ("Pure" Street, esp. as in the Virgin Mary).

<sup>80</sup> Interview with Yakov Konstantinovich Sarkisov, Deputy Director of Mospromstroï JSC.

<sup>81</sup> Правительство Москвы. Постановление № 860, от 17.10.1995, "О строительстве, реконструкции и реставрации комплекса зданий Государственного музея А.С. Пушкина".

1. The complex of buildings of the State museum of A.S. Pushkin is to be reconstructed, constructed, and/or restored in several stages:
  - Stage 1: reconstruction and restoration of buildings in the architectural monument known as “Urban estate of late eighteenth-early nineteenth century”; reconstruction of utilities serving the site; to be completed in first half of 1997; opening of the basic buildings of the museum (structures 1 and 2) for exposition in 1997, no later than the day of Moscow’s 850th anniversary;
  - Stage 2: construction of an archival building, engineering amenities, and Humanities Gymnasium № 1529 at a new location, with the consequent demolition of the old building, followed by utilisation of the underground space of the gymnasium for the needs of the museum, and the re-creation of the Church of the Image of the Saviour-not-made-by-hand; to be completed in fourth quarter of 1998; full exposition of the entire museum complex to be opened in first half of 1999.
- Achieve the relocation of Humanities Gymnasium № 1529 into a new building after a building for it will have become operational.
2. The function of customer and general contractor [for all aspects of paragraph 1] is to be assigned to “Mospromstroï” JSC. Allow for the possibility of bringing restoration and other types of specialists (organizations, firms, and city agencies) into the work of the project. [Provision for an immediate tender to be issued for subcontractors.]
3. In light of the large volume and compressed time table of the work to be performed, permit the execution of work contemporaneously with the development of the design and budget documentation, and prior to confirmation by UGK OIP and Moscow Expert Commission, in coordination with these.
4. Moscow Architecture Committee, by purchase order from Mospromstroï JSC, with consent of UGK OIP and the directorate of the museum, is to:
  - 4.1 Complete and confirm TEO [for Stage 1] during fourth quarter of 1995;
  - 4.2 Develop, coordinate, and confirm design and budget [of further stages];
  - 4.3 Develop and confirm TEO for relocation of Humanities Gymnasium № 1529 and re-creation of the church during first quarter of 1996.
  - 4.4 Propose within one month a plan for construction of a new building for Humanities Gymnasium № 1529, taking into account the architectural and urban-design conditions in Hamovniki municipal territory.
  - 4.5 [Develop design of same.]
5. The customer, Mospromstroï JSC, is to:
  - 5.1 Duly register appropriate documents with Land Committee, upon confirmation of TEO; taking into account demolition of gymnasium and alteration of boundaries due to re-creation of Church, and grant the parcel to State A.S. Pushkin Museum.
6. Dept. of economic policy and development, is to [budget funds for this project].
7. Dept. of finance, is to [guarantee availability of funds for both stages of this project].
8. Moscow Property Committee is to [see that Museum gains ownership of finished buildings; resolve questions as to ownership of the Church to be recreated].
9. Moscow Culture Committee and museum directorate is to create and guarantee the opening of new expositions within the time limits set forth in §1.
- ... [ss.]
- Premier of Government [i.e. Mayor] of Moscow

The hybrid nature of the City’s regulatory apparatus can be gleaned clearly from this Decree, especially from its Article 2. A City department-turned-corporation, Mospromstroï, is *ordered* to be the client of a project. In the Soviet era, Mospromstroï was one of the city’s three construction giants, in whose purview was all industrial construction. Now, according to deputy director Y. K. Sarkisov, “Mospromstroï receives no subsidies from the City. But we do receive orders from the City.” The first such order was to become a private company and move off budget. As a private company, Mospromstroï has built or rebuilt structures ranging from a crackers and dry-foods plant on the outskirts of the city, to the prominent and notorious Victory Park, and



the Bolshoi Theatre, a national landmark. Its legal standing under Russian law is that of any joint-stock company.

Despite its legal standing, Mospromstroi never turns down a City-funded (or a City-ordered and Mospromstroi-funded) project, even though such projects run deficits for Mospromstroi—deficits which it must overcome by finding profitable projects. “Mospromstroi takes these losses in order to ensure other contracts,” said Sarkisov. At least in theory, he was asked, this should not be so: given the demand for Moscow real estate, there are clearly many private projects for which Mospromstroi can bid. “In theory,” he commented, “it is true. In reality, it is not. Number one: We still receive many orders from the City. Number two: Private money does not necessarily go to the best builder or the lowest bidder. Contracts generally do not go to builders who are blatantly uncooperative. It is not good for us to be left off the list.”

Sarkisov and V. V. Vavanov, the project manager, had several fundamental problems with the project which they were ordered to undertake. The main problem with respect to the order “to be the contractor” is one of qualification. Mospromstroi is not well-suited to conduct restoration; it is a large-scale construction firm. “Mospromstroi must deal with the same problem as all constructors,” said Vavanov in an interview. “We all are under deadlines from the client, but much of the construction in the center requires meticulous restoration. The two collide.”<sup>82</sup>

**Document 3:** The long-term land contract already existed (as Document 1, above). Article 5.1 of Decree № 860 ordered Mospromstroi to sign a short-term lease. Since the short-term land lease was largely an unrelated question, and since its actual signing was delayed, it will be described in its chronological course, at the end of the case study.

**Document 4:** Investment contract. There is no investment contract in a project such as this. Mospromstroi, the “investor,” faces losses, but not much risk. A user, the Museum itself, is guaranteed to be interested in occupying the premises. The functional equivalent of Document 4, in this case, is Decree № 860 itself.

**Document 5:** Urban-Design Instruction. Decree № 860 did not provide for a conclusion or instruction, perhaps because it was known that a TEO was already approved when the project was under the auspices of the Ministry. Nonetheless, as evidenced in its letter of January 5, 1996, the Architecture and Urban Planning Committee issued one for the renovation and archive vault portion of the project (but not the school-removal and church-construction portion).

On December 13, 1995, Mrs. N. Stevens, tenant of Gagarinskii per. 11, wrote the Mayor in plaintive tones:

Respected Yuri Mihailovich:

... My yard abuts an area which is part of the Literary Museum of A.S. Pushkin. At the corner of Gagarinskii and Krushevskii [streets], where the two parcels come together, there are ten chestnut trees. They appear to be one hundred years old. Once, the land under the chestnut trees was used as a construction-materials dump. Out of our own resources, our family removed 90 trucks' worth of the trash. Every May, I plant flowers under the trees. Muscovites who pass this little square find it refreshing, appreciate the flowers and gain joy and inner calm from coming into contact with this “living” corner of the environment. But there are now plans to chop down the chestnut trees, and to build an archive vault for the Pushkin museum on the site.

Most unfortunately, the Museum has a large territory (of which the chestnut square is not part); and it does not keep it up the way it ought to. Under pretense of a lack of funds, the

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<sup>82</sup> Interview with Vyacheslav Vyacheslavovich Vavanov of Mospromstroi JSC, Museum Project Manager.

museum makes no improvements to its land. The sizes of this land are plentiful enough to house the archive vault without chopping down the chestnuts.

Respected Yuri Mihailovich, your careful attention to that which is sacred to the Russian people and to historical sites in the capital has earned you a good reputation and respect among Muscovites. Architects speak warmly of your intent to re-create a small chapel, which was part of the seventeenth-century complex, near the square.

[I continue to hope you will help.]

[My late husband, Edmund Stevens, was an American correspondent who lived in Moscow for 60 years and loved the city. We cared for the chestnuts because we loved the land.]

[With faith in your wisdom, with respect, ss.]

Nina Stevens

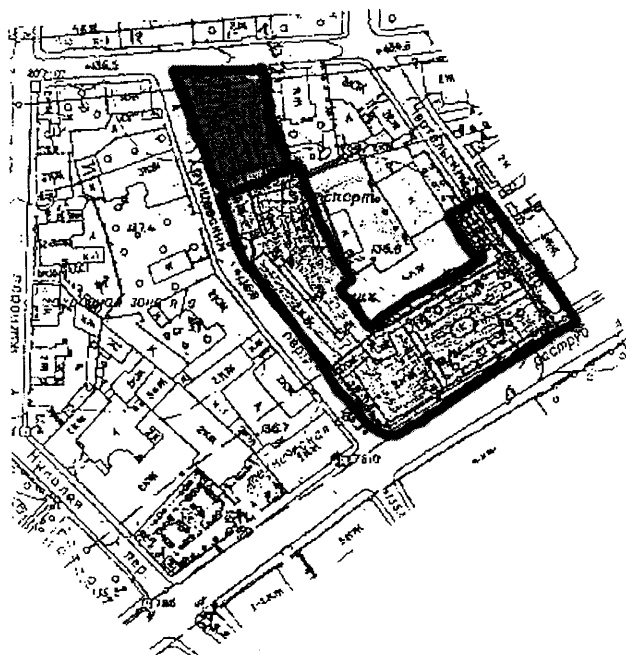


Figure 4.4: Plan of the Pushkin museum parcel. The chestnut-tree square/archive vault is at far north, shaded. (Source: Project documentation.)

This letter was followed by a document which Mospromstroi's Sarkisov — a veteran of the design and construction process for decades — found to be unprecedented. “This is proof,” he said, “that truth here is more fantastic than any fiction.” The document of which he thus spoke was a letter from Moscow Committee for Protection of Environment and Natural Resources (“Moscompriroda”)<sup>83</sup>:

Taking into account the petition of N. Stevens to the leadership of the City of Moscow, Moscompriroda hereby **revokes** its earlier approval of land delineation and approval of TEO.

(Emphasis added. The two approvals, dated 14 December 1994 and 16 May 1995, are quoted earlier in this chapter.)

The revocation of approval for land delineation carried uncertain legal impact — the only land-related document to date was Document 1, which was executed prior to any

<sup>83</sup> Минприроды России, Правительство Москвы. Московский городской комитет охраны окружающей среды и природных ресурсов (Москомприрода), 17.01.1996.

approval by Moscompriroda. The revocation of the TEO approval probably made legal nonsense, but it was enough to cause a review. Sarkisov commented that because a TEO had already been approved, under the Ministry's auspices, Mospromstroi could not stop work for the review: "We had to find a compromise and get on with it."

The exact circumstances of the review and resolution of the crisis are not known to the author, but the results are. The chestnut trees were replanted on the north side of Gagarinskii per. instead of being cut, and appeared to be alive as of fall 1996, according to Mospromstroi's project manager.<sup>84</sup>



Figure 4.5: Site of Mrs. Stevens' adopted chestnut-tree square. The trees have been removed, and underground floors have been dug. Gymnasium No. 1529 is in left background. Photo: Author.

**Document 6:** Instruction for TEO. This document did not exist because of the provisions of Article 4 of Decree № 860. Instead of *assigning* an urban design for the client, who then develops and completes the TEO, the Architecture and Urban Planning Committee was ordered *itself* to develop the TEO.

**A new controversy:** While the TEO for the archive vault and renovation was being developed, the parents of students of Humanities Gymnasium № 1529 were taking notice. Contrary to N. Stevens' assertion that "Architects speak warmly of [Mayor's] intent to recreate a small chapel, which was part of the seventeenth-century complex, near the square," this group proposed to the Mayor that the school relocation plan be canceled. They quoted text from the Mayor's own book, *Moscow, We Are Your Children*:

We are inculcating a mechanism of leadership that will be based on the idea of service, not command.

We are setting up a governance system in which authority will no longer be an instrument forcing people to achieve goals dictated from above...

<sup>84</sup> Interview with Vyacheslav Vyacheslavovich Vavanov.

They proceeded to point out the inconsistency between the Mayor's order and his lofty words, doing so with all the imagery they could muster on nine pages of single-spaced text. The significance of the school during World War II, the importance of culture and education, what Pushkin might have thought of the Mayor's order — all of these questions and affirmations were posited. The parents' group addressed the matter at a time *before* Stage II (the school relocation portion of the project ordered by Decree № 860) had reached the level of land transfer or any preliminary study. (Using the seven-document system outlined in Chapter 3, this plan had not reached Document 3.) The likely outcome, as of December 1996, was the abandonment of any plans to relocate the school or to recreate the church.

**Document 7:** Approval of TEO<sup>85</sup> was completed by Moscow Expert Commission on 14 August 1996, and by the first deputy Mayor one week thereafter. The TEO in this project carries the weight of the old Soviet TEO: it is an actual budget. The City, having ordered Mospromstroi to be the customer for this project, then approved Mospromstroi's expenditures.

Upon TEO confirmation, construction could proceed apace, except for the insistence of Article 5.1 of Decree № 860 — the provision that a short-term lease was necessary. Mospromstroi registered significant disagreement with the mandatory short-term lease, but the document was nonetheless signed on 28 August 1996<sup>86</sup>. It is very similar in structure to the **Document 3** presented in Chapter 3. Currently, its function is simply fiscal — to begin collecting ground rent before a project is complete. As insurance and liability law grows more sophisticated, short-term construction leases might prove to be good documents for tending to issues of that type.

Grant of Lease: "The Moscow Land Committee, further named 'Lessor', on behalf of the government of Moscow, represented by Victor Nikolayevich Astsaturov, President of the Moscow Land Committee, acting upon City Decree [№860], on the one hand, and Mospromstroi JSC, acting in accordance with its charter, represented by its Director General, Vasilii Vasilievich Moroz, further named 'Lessee', on the other, [on the basis of an additional order from the Prefect], have signed an Agreement to the following:"

Article 1: Object and Term of lease.

Article 2 & 3: Rights and Obligations of Lessor and Lessee

... Attachments: Schedule of payments in ECUs (European Common Units); plan and legal description of the premises.

Seals and signatures

The Land Committee insisted on a short-term lease through 30 June 1998. Given the public nature of the project, Mospromstroi countered, the short-term lease amounted to little more than civilized extortion. The Land Committee receives a percentage basis from all land leases and transfers the balance into City coffers. Mospromstroi filed a request for a waiver of payments on the lease, since the project was designated as a "monument of culture of federal significance" by the Ministry of Culture and Mospromstroi did not stand to make any profit. As of December 1996, Mospromstroi's negotiations with the Land Committee had not brought about a settlement.

<sup>85</sup> Правительство Москвы, московская государственная вневедомственная экспертиза (Мосгосэкспертиза). № МГЭ-2/631, 20.08.1996.

<sup>86</sup> Договор № М-01-501669 краткосрочной аренды земельного участка, 28.08.1996.



**Progress of work:** By January 1997, the foundation of the archive vault was ready to be poured. Work was proceeding with two construction teams on the site (a function of the time restrictions). Design, however, was not truly finalized.

During a field visit to the site, the author observed a group of individuals from UGK OIP approach the Project Manager with very basic concerns regarding the exhibition space: would plaques and memorabilia be hung or placed onto vertical supports? how would these look alongside the supporting columns? will the boiler which Mospromstroi is to purchase allow for sufficiently unobtrusive pipes?

The archive vault, meanwhile, was ordered delayed in October 1996 by the new chief architect, A. V. Kuzmin, pending a review of its facades. (The TEO had been approved prior to Kuzmin's ascendancy into the chief architect's chair.) The alternatives regarding facades would also dictate the actual height of the building. "An approval," commented Sarkisov, "does not mean much."

## CASE STUDY 2: Centre-2000

The Prefect of the Central Okrug, Aleksandr I. Muzykantskii, spoke glowingly of the development company known as Centre-2000. In his opinion, it is one of the more successful examples of investment-contract-based development in center-city. The chief architect appears to agree: "I might even name some new structures which are marked by good professional taste — for example the construction on the [east] side of Tsvetnoi Boulevard, some buildings in the streets off Sretenka<sup>87</sup>, on Tver Street."<sup>88</sup> Evidence supports their opinions. Centre-2000 is a block, developed by a single firm, but developed in stages, in a way that results in an architectural "ensemble". The City and UGK OIP have awarded Centre-2000 with awards of recognition, and featured it in "MIPIM" — the international real estate exposition at Cannes.<sup>89</sup>



Figure 4.6: The Centre-2000 block, locus plan (Source: National Geographic).

<sup>87</sup> Centre-2000 accounts for the great majority of development "off Sretenka".

<sup>88</sup> *Vechern'aya Moskva*, Interview with Aleksandr V. Kuzmin, by Alla Shugaikina, September 1996.

<sup>89</sup> *Centre-2000: A Center for a New Moscow*, 1996.



Eager to stress such recognition, Centre-2000 stresses the block's architectural quality: "The meeting of the past and the future," reads the title page in Centre-2000's brochure. "The neighborhood has regained its former peaceful flair and pleasant architectural look with a new level of comfort and quality. Now in the old [residences] there are new elite apartments on two floors, with twenty-first-century amenities. Ground floors are allotted to holistic medical centers, shops, restaurants and offices."



Figure 4.7: View north on Trubnaya ul., the western boundary of the block. Centre-2000 benefited from having a strong urban-design template on all sides (Photo: Author).

In an interview conducted for this study, Centre-2000's director, Lyubov Yurievna Tsvetkova, reflected on some of the reasons underlying the development's success. She pointed, likewise, to serious problems in the process that accompanies every new building. Among the chief reasons for Centre-2000's success are its ten-year-long record of performance; commitment to abide by the spirit of the city's architectural authorities (helped in no small part by the strong presence of a pre-Revolutionary architectural style on the block); personal rapport with important individuals; and a unique location. The chief problems Ms. Tsvetkova says she encounters are with bureaucracies: unreasonably long approval periods, indecisiveness, a sometimes arbitrary approach, a byzantine tax code. "If I knew in 1986 what I was getting into," she said, "I would never have done it."

What Ms. Tsvetkova got into can be gleaned from **Document 1**: Decision № 3079, dated 30 December 1987, by the city Executive Committee of the Communist Party. In that document, the "МЖК" Sretenka was instructed to complete work on a set of buildings in the block that has become Centre-2000.



“МЖК” (M.Zh.K.) is an acronym for a late-Soviet-era form of entity. It stands for “youth residential complex.”<sup>90</sup> It was a type of development brought to Moscow from Sverdlovsk by Boris Yeltsin when he became the head of the Moscow chapter of the Communist Party — effectively the mayor of Moscow. The concept responded to the economic circumstances of the time. Throughout the Soviet Union, there was an excess of material inventory and a shortage of labour. The number of construction workers and the wages that they were paid could not easily be adjusted in a command economy. At the same time, cities were suffering an acute housing shortage, which resulted in large families living together in one apartment and often in cramped communal apartments. The youth residential complex was a concept whereby aspiring apartment residents — young couples who wanted to live separately from extended families — agreed to build their own new structures. They provided both skilled and unskilled labour. The local authorities provided construction material and machinery. The motto of the program was “your own house with your own hands” — a progressive idea that smacked of private property in a time (1985) when such concepts were hardly thinkable. A group of young couples living in Block 269 along ul. Sretenka, in the north central portion of center-city, incorporated in 1986 to become the Sretenka МЖК.

The 1987 Decision gave the M.Zh.K. a “labour quota” — an assignment of work to be completed. “The members of the M.Zh.K. fully completed their obligations before the city between 1988 and 1992,” states a City Decree granting it rights to additional properties on their block.<sup>91</sup> This Decree, № 672 from 25 August 1992, serves as

## Document 2:

On measures for completion of the reconstruction and new construction of Objects in block № 269 of ul. Sretenka (M.Zh.K.)

...

Due to the advent of free prices on materials and services in 1992, completion of the reconstruction and new construction ... requires additional investments.

...

Government of Moscow resolves to: 1. Transfer into full administrative supervision of the regional M.Zh.K. center on block № 269 of ul. Sretenka certain non-residential space, as outlined in appendix.

...

The customer/developer will provide financing for all [work], from own means and the attraction of outside investors.

... [Customer/developer] will duly register land rights with Moscow Land Committee.

Moscomimushestvo<sup>92</sup> shall register the transfer of the [below-named] objects to the customer/client.

...

[ss.]

Yuri Luzhkov, Mayor

<sup>90</sup> Transliterated as *Molodyozhny Zhiloy Komplex*.

<sup>91</sup> Правительство Москвы. Постановление № 672, 25.08.1992.

<sup>92</sup> Moscow Committee on Property.

Altogether, nine addresses were transferred. Seven were existing buildings. Two were for new construction: Poslednii per. 3, and Poslednii per. 7-9. Poslednii per. 3 has been completed. Poslednii per. 7-9 was on pace to break ground in spring 1997.

**Document 3:** Land Lease. Such a document has not yet been completed for Poslednii 7-9. Judging by its date of completion with respect to Poslednii 3, the order of documentation for this series of projects has been to shift the land lease to the last stage, after approval of TEO (document 7).<sup>93</sup>

**Document 4:** Investment Contract.<sup>94</sup> Dated 17 May 1993, this was one of the first investment contracts issued by the City. It is also the first document in which the M.Zh.K. Sretenka has become the M.Zh.K. Centre-2000.

The document largely follows the template for investment contracts already described in Chapter 3. The total number of properties in the complex is increased to thirteen. The contemplated development of Poslednii 7-9 is defined as 1312 sq. m. The (9.4) clause of the contract is rigidly unfavorable toward the developer — rights to development of any given address are lost if the design approval process take longer than six months.

**Document 5:** Urban Design Conclusion (GZ)<sup>95</sup>. This document was issued in standard form, on 30 April 1996. The template detailed in Chapter 3 is closely followed. Some of the special provisions of this GZ are:

The common and informal names of the historic district:  
— “Sretenka region”  
... The Sretenka region is unique due to its systems of numerous parallel streets, which divide the territory into many narrow blocks. These are developed along their perimeter mostly with 3-6 story structures from the turn of the twentieth century, built for rental housing; as well some 2-3 story structure from the first half of the nineteenth century, which were built as single [usu. extended family] residences.  
The blocks in the area are characterized by small frontages, which create a fractionated facade front with diverse architectural solutions, which define the streets.  
The [proposed] parcel is currently vacant. From the west it is bordered by a three-story structure, Poslednii 5, and from the east by a four-story Poslednii 11.  
2. *Requirements and recommendations for the urban design and architectural solution...*  
[work closely with UGK OIP]  
[work with UGK OIP on archaeological investigation of all excavated portions of the site]  
... Investigate the feasibility of a mansard ...  
Conduct feasibility study and design two floors of underground parking.  
Maintain a “step solution” to the height of facades. The number of floors must not exceed five, including mansard, such that №7-9 be taller than №5 but shorter than №11.  
... [ss.]

<sup>93</sup> For Poslednii 3, the Land Lease is dated 12.10.1994, after all other documents.

<sup>94</sup> Контракт на реализацию инвестиционного проекта на территории муниципального района “Мещанское” Центрального административного округа г. Москвы, 17.05.1993.

<sup>95</sup> GZ is an acronym for *Gradostroitel'noe zakluchenie*, Urban-design conclusion. Градостроительное заключение по условиям проектирования объектов строительства и реконструкции в пределах исторической части Москвы в границах Садового кольца, №046-51/716, 30.04.1996.

Deputy chief architect, Central Administrative Okrug, 4 March 1996  
Director of Moscow UGK OIP [historic preservation], 26 Feb. 1996  
Director of workshop № 4 of "Mosproject-2", 6 Feb. 1996

**Document 6:** The Instruction to develop a TEO<sup>96</sup> was issued in August 1996. It also follows standard format. One clause is worth special attention: "Develop a colouration solution for the street facades and yard facades."

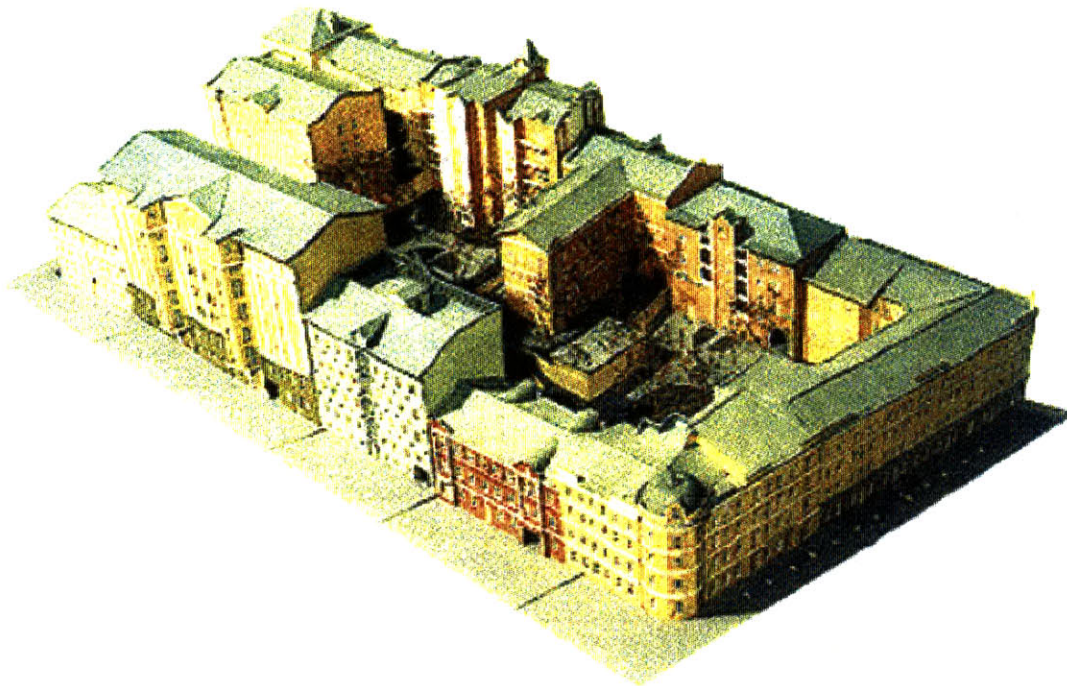


Figure 4.8: Full eventual buildout of Centre-2000, but with a colour scheme more conservative than Ms. Tsvetkova wanted. (Source: Centre-2000 promotional literature).

Facade colouration, recalls Tsvetkova, has not been without controversy. In its previous buildings, Centre-2000 wanted colour variation — reds, greens, blues, etc. The Main Architecture-Planning Directorate (under Architecture and Urban Planning Committee) and UGK OIP did not like the idea. Stucco facades in Moscow, they argued, were historically and ought in the future to be shades of yellow, and possibly grey — similar to the buildout shown above in Figure 4.8.

Tsvetkova invited the architects to several small-group consultations. She also invited an architectural historian from academic circles, who would argue that only Soviet-era neglect and a desire to save on the cost of paint brought about such uniformity. She argued that colours had always been varied in pre-Revolutionary times. The argument was settled in favor of Centre-2000's colouration scheme, as shown in Figure 4.9 (opposite). Whether the design is successful is an open question. The chief architect, among others, has praised it, but it might also be the type of architectural solution that drew criticism from Alexander Skokan, as quoted in Chapter 2: "Many

<sup>96</sup> Задание на разработку технико-экономического обоснования строительства жилого дома с подземным гаражом по адресу: квартал № 269, Последний переулок, дом 7/9, Центральный административный округ.



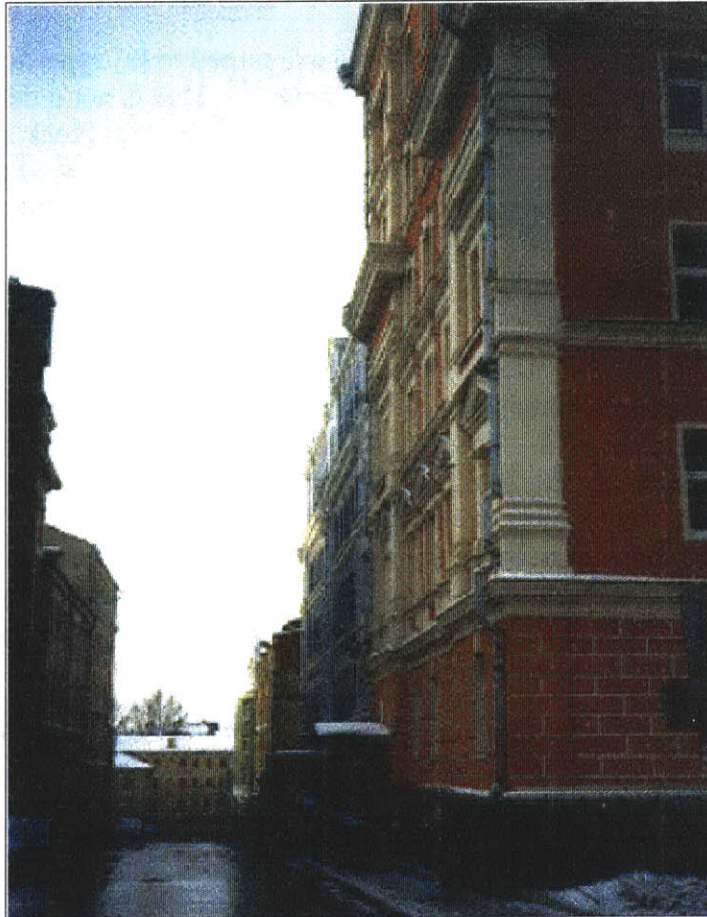


Figure 4.9: The multicoloured solution. Poslednii 7-9 will occupy right foreground, below  
(Photos: Author)





architects disappointed in 'modern' architecture have turned to [a] superficially understood 'traditional' or 'Moscow traditional' style."<sup>97</sup> This is not a debate for these pages. One can say with certainty, however, that the Centre-2000 block respects and augments its own historical urban design. As a result, Centre-2000 is likely to get projects built and to keep the approvals process short — shorter, at least, than it is for many other developers.

## CASES WORTH NOTING

Tsvetkova argues that the gauntlet of design approvals, especially the "second government" of the Expert Commission and the building inspectors who operate during construction, are often too much. "If a project takes three years to get through, many people are going to resort to 'samostroi'"<sup>98</sup>. Others will bribe their way past the process. But one needs to have very high connections for that."<sup>99</sup>

Projects that use such connections are not worth our careful scrutiny, because they involve a circumvention of the entire process being examined in this study. The importance of these cases is simply that they exist. They provide evidence that the approvals process is needlessly convoluted.



Figure 4.10: The MosEnka corporate office, at the northern extremity of the Garden Ring, does not even reflect the surrounding buildings, making its intrusion into historic Tsvetnoi Boulevard a sore point with many Muscovites. (Photo: Author).

<sup>97</sup> *The Moscow Times*, Alexander Skokan. Bad Times for Fine Architecture, 13.06.1996.

<sup>98</sup> Self-construction — i.e., construction without approval.

<sup>99</sup> Interview with Lyubov Yurievna Tsvetkova.



Two such projects are the MosEnka headquarters on Tsvetnoi Boulevard (see Figure 4.10 ) and the Yakimanka Municipal Savings Bank offices on ul. Bolshaya Yakimanka (Figure 4.11). No documentation is available for either of these cases, but interviewees for this study agreed that both projects feature a dissonant and disagreeable design, mostly because their use of glass lacks any subtlety and makes no gesture toward their surroundings. These were said not to be approved through the Architecture and Urban Planning Committee's usual process, but rather stamped *a priori*.

It was the Mayor himself, according to several interviewees,<sup>100</sup> who was perturbed at the Bolshaya Yakimanka development. Accompanied by the press during one of his trademark Saturday inspection outings, he was very critical of the project.

MosEnka, for its part, is a joint venture of the City of Moscow and the Enka corporation of Turkey, one of the largest developers and builders in Moscow. The design of the building has been criticized publicly and privately. Tsvetkova, the Centre-2000 director, said, "I travel past that building every day, and I am ashamed that something like this was produced."<sup>101</sup>



Figure 4.11: Bolshaya Yakimanka development. The Mayor was not pleased. (Photo: Author).

### CASE STUDY 3: Gogolevskii Boulevard 11

Unlike cases wherein the entire development approvals process was circumvented, most of Gogolevskii Boulevard 11 was approved by the Architecture and Urban Planning Committee. But the results are troubling for both developer and City.

<sup>100</sup> Interviews with Dmitri Sergeevich Podyapolskii and Yakov Konstantinovich Sarkisov.

<sup>101</sup> Interview with Lyubov Yurievna Tsvetkova.



KREST Development started out as a business school. Its Director General, Andrei Borisovich Manukovsky, taught for a semester at Harvard Business School. It is partly Swiss-financed,<sup>102</sup> and works in partnership with British companies. Its most ambitious project was to redevelop a site on Gogolevskii Boulevard into an office building.

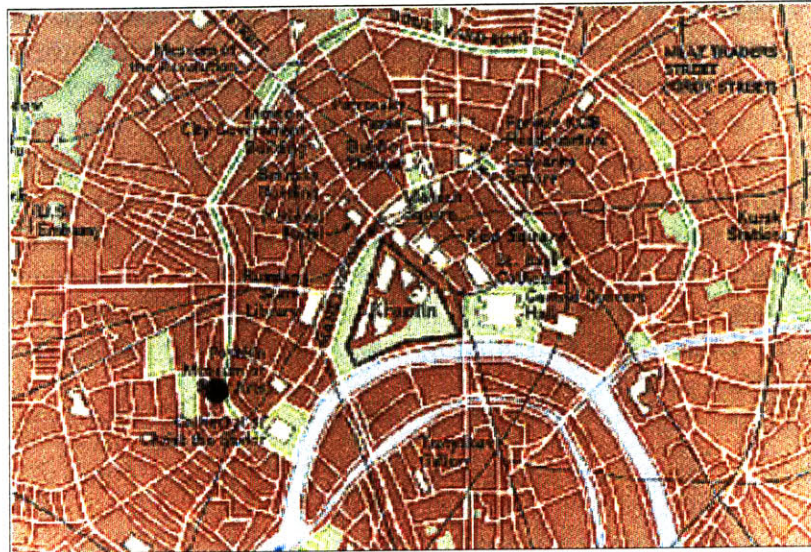


Figure 4.12: Locus plan of Gogolevskii Boulevard 11, prime real estate.



Figure 4.13: Gogolevskii boulevard, view from the median to the southeast, above, and toward the median from the southwest, opposite. (Photos: Author).

<sup>102</sup> As reported in *The Moscow Times*, 27 June 1995.



Gogolevskii Boulevard is perhaps the most unusual of all the boulevards in the Boulevard Ring. This ring was turned into streets when the old city walls were dismantled in the late eighteenth century. The geometry of the walls is kept most strikingly on Gogolevskii Boulevard, where the inner roadway is several meters above the outer roadway, and the median provides for striking views and good sledding.

KREST gained an investment contract with the City for a site on Gogolevskii Boulevard located at the outer bend of this street. The view from the future development would be up toward the pedestrian way and mansions on the inner side. Location and the nature of the neighbourhood was the key to KREST's promotional strategy: "Gogolevskii Boulevard is a prestigious address. Gogolevskii 11 brings a new dimension to this aristocratic neighbourhood."<sup>103</sup> It is precisely the dimensions of this building that would prove problematic. "Willfully, against the permitted design, the dimensions of a building on Gogolevskii Boulevard [and others] have been inflated," commented outraged Chief Architect Kuzmin.<sup>104</sup>

Architecturally, KREST wanted a classical, not an innovative, look: Gogolevskii 11 has "a classic facade, designed to satisfy the requirements of the most discerning corporate users. Combining contemporary standards of air conditioning and efficient open plan floorplates with the elegance of a classical architectural facade, Gogolevskii 11 is set to become a prestigious, landmark building"<sup>105</sup> (see Figure 4.14, p. 56).

During an interview for this study, KREST Deputy Director General Fyodor V.



<sup>103</sup> KREST Development, *Gogolevsky 11* promotional literature.

<sup>104</sup> *Vechern'aya Moskva*, Вечерняя Москва, Interview with Aleksandr Victorovich Kuzmin, by Alla Shugaikina, September 1996.

<sup>105</sup> KREST Development, *Gogolevsky 11* promotional literature.





Figure 4.14: Gogolevskii 11 stands nine stories tall along a curve in the boulevard. (Photo: Author)

Tikhomirov was not willing to provide step-by-step documentation regarding this project, citing that it was not yet complete. The information that follows is gleaned from several interviewees who involved themselves, peripherally or deeply, with the controversy.

No building on the block is greater than four floors tall. A building on an adjacent block is five floors tall. KREST was allowed, in the Urban-Design Instruction, to design a four-story building on a large footprint — a total floor space of approximately 3,600 square meters. KREST pointed to higher buildings in the general area, and gained the right to design six floors as of the “Document 6” stage.<sup>106</sup>

Negotiations continued. “We allowed them to go to eight floors,” remembers Prefect Muzykantskii. The TEO was submitted and approved with eight floors, a bulk which gave the development as much floor space as half of the entire Centre-2000 block.

Meanwhile, the marketing of the building had apparently gone very well. A group led by a bank was willing to occupy the entire 7,398 square-meter structure. In fact, 7,398 square meters were not sufficient. According to sources in the know, the client gave KREST an ultimatum: nine floors or no deal.

Today, even as construction continues, the announcement board shows an eight-story building. But the building itself is nine floors tall. Mr. Manukovsky had apparently calculated that the penalties for such a violation would not be harsh enough to outweigh the benefits of securing the sale. Deputy Director General Tikhomirov commented that the approvals process itself is something of a penalty, arbitrary in its nature. Unreasonable expectations cannot always be resolved by the neatest means.

<sup>106</sup> Interview with Fyodor Vasilievich Tikhomirov, KREST development.





Figure 4.15: In all advertisements for Gogolevskii 11, an eight-story drawing is used. (Source: KREST Development).

Another interviewee commented that the real “crime” in this process was not the addition of a ninth floor, but the much earlier legal allowance for a fifth and sixth floor. “That was enough to ruin the relative scale on the block.”<sup>107</sup>

Manukovsky’s bet as to the punishment apparently justified itself beyond all expectations. According to one source, some entity within the City power structure took KREST’s side, and the fine levied against KREST for the violation was 100,000 rubles. At 1996 exchange rates, this amount was equivalent to twenty dollars.<sup>108</sup>

There are two possible lessons to be gleaned from the Gogolevskii 11 case. Either there must be better mechanisms for enforcement, meaning more vigilant supervision of the building inspectorate, or the development process has to become more standard. The two need not be in an either-or relationship, but Mr. Tikhomirov, for one, saw them as opposites. This study has concentrated upon and will develop the latter.

Standardization of the process does not mean conformity to one ideal or one cookie-cutter pattern. Quite the contrary, it means having a clear idea of each locality’s environment. Centre-2000 benefited from having a very clear template to follow. Innovation can and did occur in the design, but within tight guidelines which were obvious to the architect. The Pushkin Museum, on the other hand, was an expansion into a previously vacant corner lot. Redesign would probably have been prohibitively expensive and difficult — but that, in turn, was due to the lack of any initial plan.

<sup>107</sup> Interview with anonymous individual # 3.

<sup>108</sup> Interview with anonymous individual # 4.

KREST's Mr. Tikhomirov echoed this complaint, and faulted the City: "They have no plan ... Developer's projects ought not be frozen while a plan is being developed. There should already be a plan."

It is clear that standardization of the development approvals process will fail without a transparent plan, which can be flexible on some points and rigid on others. In search of such a plan, let us trace one experiment in a section of center-city that has been noted for its success.

## Chapter 5: One District's Plan

The difficulties that arise in the redevelopment of center-city Moscow — examples of which were presented in Chapters 3 and 4 — were already present and prevalent by the early 1990s. To some individuals in the field of architecture and construction, the absence of effective institutions for architectural and urban-design regulation was patently clear even at a time when there was little development. Two districts of the city — Ostozhenka and Yakimanka — undertook to make plans for the new era of development. Only Yakimanka had the financial resources to complete its planning endeavour. By 1995, when new construction was springing up all over center-city Moscow, the Yakimanka district had earned a reputation for the sound “fit” of its new development. By the end of 1996, a real estate expert wrote that “Yakimanka ... is poised to become one of the city’s key business districts.”<sup>109</sup>

The *Program of Socio-Economic and Urban Development of Yakimanka Municipal District* is a document which has guided development in the district since the middle of 1994. The *Program* was ratified by Moscow government on 21 June 1994, by way of Decree № 494. It is well worth study — if only because it remains the only comprehensive attempt by the architectural and planning professions in Moscow to create a plan tailored to post-Soviet times. The *Program’s* aim was to prevent the sorts of conflicts described in Chapter 4. To this end, the *Program* proposed a concept plan, a land-use plan, a parcelation plan, and an industry-relocation plan for the Yakimanka district. As its logical continuation, the *Program’s* authors envisioned a “règlement”, a code that circumscribes (but never prescribes) the design of every parcel in the district.

This chapter will review and defend the fundamental assumptions of the *Program*. Chapter 6 will speculate upon the *règlement* by applying it to the standard process (from Chapter 3) and to the case studies (from Chapter 4).

### Zamoskvorechye: The south bank of the Moscow River

From its earliest days, Moscow leapfrogged south of the marshy Moscow river into a flat unfortified plain, known to this day as Zamoskvorechye (“across the Moscow”). (The Yakimanka municipal district is the western portion of Zamoskvorechye. The eastern portion is “Zamoskvorechye municipal district”.) By the fourteenth century, Zamoskvorechye had the highest population density of any district in Moscow. It had no permanent fortifications until 1592, and was defended, it seems, by mobile mini-fortresses-on-wheels.<sup>110</sup> When military threat from the southern and eastern plains

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<sup>109</sup> *The Moscow Times*, 26.11.1996, Jeff Grocott.

<sup>110</sup> Г.В. Алфёрова, Памятник русского зодчества в Кадашах. Москва, Просвещение, 1974.



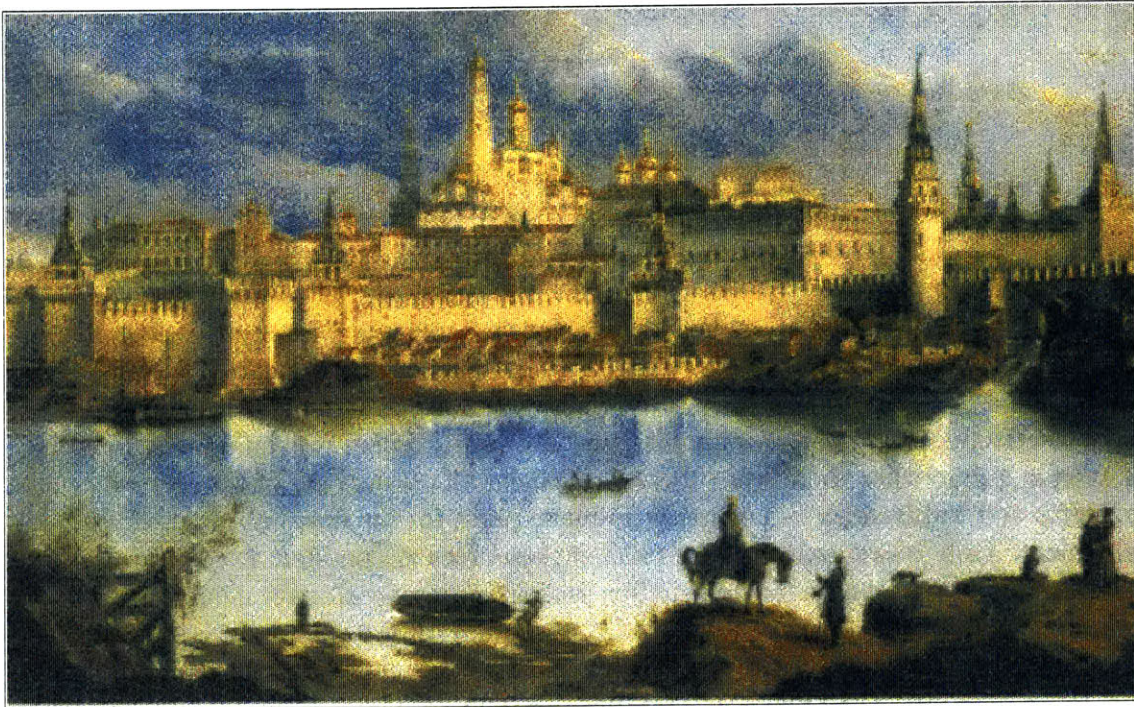


Figure 5.1: K. Rabus, 1846. View of the Kremlin from “Zamoskvorechye” — “across the Moscow River”, at the time of Peter the Great. Source: *Paintings of Old Moscow*, ed. 2185.

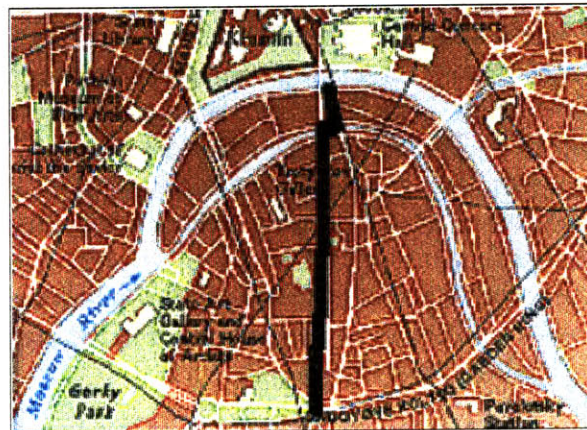


Figure 5.2: The irregular streets of Zamoskvorechye. Yakimanka municipal district is situated to the west of Bolshaya Ordynka (black).

Source: National Geographic.

waned in the late sixteenth century, Zamoskvorechye became only more densely developed. Access to Moscow proper was by ferry, and the identity of the region was always distinct from that of the northern side. Zamoskvorechye was known in late pre-Revolutionary times to be a quiet district, tightly woven, with narrow irregular streets. Serving families of ordinary means, land parcels in Zamoskvorechye tended to be small. “It is especially valuable to us today because the residential and industrial quarters of seventeenth-century craftsmen were found preserved here — as almost



Figure 5.3: Red October confectionary plant stands at the western “arrow” of the Island.  
Source: Program of Socio-Economic and Urban Development of Yakimanka Municipal District.

nowhere else in all Russia.”<sup>111</sup> The chief arteries follow north-south directions, with views across the river to the Kremlin. The only continuous east-west routes are the river embankments. The marshland of the Moscow River was molded into “the Island,” surrounded by the river’s two sleeves (Figure 5.3). The Soviet era brought no grand transformations to the region, but did plant several large-scale structures into the western portion of Zamoskvorechye, most notably along Bolshaya Yakimanka and the Garden Ring. For the sections not redeveloped, neglect was the order of the day.

#### **Foundations of the *Program*: physical conservatism and economic liberalism**

In a 1995 article entitled “The City as a Reflection of Culture”, *Program* co-author Dmitri Podyapolskii shared his impressions from working in Spain. “I found that many laws relating to land relations have been in effect without interruption from Roman times. The attempt to straighten a road, for example, leads to the necessary sale and purchase of land, the redrawing of parcel boundaries established in mediæval times, all of which makes the attempt itself to be inappropriate. This sense of a breathing, living history provides scale and meaning to the work in which we are involved ... We all perceive the destruction of an historical environment as the destruction of our cultural environment. A city is ruined not so much by buildings that are too high as by buildings that tear apart its structure. It is the principles of historically layered structure that carry on a place’s cultural values.”<sup>112</sup> To pick up the small, almost too small, pieces

<sup>111</sup> Г.В. Алфёрова, Памятник русского зодчества в Кадашах, Introduction.

<sup>112</sup> “Архитектура и строительство Москвы”, 1995, №3, p. 11.



of an intricate urban environment and to put them back in their place — such was the underlying urban-design philosophy of the *Program*.

On the socio-economic and land-use side, writes Yuri N. Gusev, the financier of the *Program*, “Our main goal became the study and analysis of all known facts about the district, which in summation paint concrete patterns of optimal future development.” There was a belief in mixed-use zoning, for two reasons: (1) the region already had a mixed land-use profile; (2) mixed-use development can be an effective hedge against financial risk. However, industrial uses were slated for relocation, to the maximum degree possible.<sup>113</sup> This latter aspect of the *Program* was driven by both quality-of-life arguments and basic land-rent economics. The *Program* sought to address the “frozen” state of industries in center-city, which resulted from a decades-long restriction against market-based land allocation in the city, as described in Chapter 1.<sup>114</sup>

Podyapolskii argues strongly for the symbiotic relationship between free-market forces and a conservative treatment of the “urban fabric”. “A new developer, whether he invests in a building for his own use or for sale, is concerned with the all-important factor of *prestige*. [Prestige] is a real and expensive good. Architecture is now regaining its function as the representation of individuality (which is a telling barometer of our society as a whole). But in an historic city, it is the environment itself that bears the prestige. The gain from building any dissonant structure will be only imaginary, because property values in all abutting parcels would decline sharply in such an eviscerated environment. Far-sighted [builders] understand this already.”<sup>115</sup>

### **Political and fiscal background to the *Program***

Yakimanka had no monopoly on far-sighted individuals, yet the *Program* was written only in that district. The reasons behind the creation of the *Program* are more than just the free market and an architectural vision. The remaking of Moscow’s administrative structure in 1991 was no less significant.

In the 1980s, the ruling bodies of all municipalities were the local Communist Party Executive Committees. Municipalities were divided into regions, each with its committee. Yakimanka district was then known as the October Region (in honor of the October 1917 Bolshevik coup). In 1991, the Deputy Director of the October Region’s committee, the aforementioned Yuri N. Gusev, set up a development corporation on the same floors of the same building as the newly-formed Yakimanka municipal district government. This corporation, known popularly by its Russian acronym KRT<sup>116</sup>, offered its services to the district. It had much to offer: documents and databases that had been held as part of the October Region’s administration — and were vital to everyday administration — were now held by KRT. Past history and the less-than-transparent transition left some suspicion at the feet of KRT. The development of a

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<sup>113</sup> “Архитектура и строительство Москвы”, 1995, №3, p. 7.

<sup>114</sup> *Cities Without Land Markets: Lessons of the Failed Socialist Experiment*, by Alain Bertaud and Bertrand Renaud, 1993.

<sup>115</sup> “Архитектура и строительство Москвы”, 1995, №3, p. 14.

<sup>116</sup> KRT is an acronym from Korporatsia Razvitiya Territorii (Корпорация Развития Территорий), or Territories’ Development Corporation (also abbreviated as TDC; the plural ‘Territories’ refers to Yakimanka and Zamoskvorechye districts).

*Program* — clearly an investment in the public interest — made for good publicity. Good publicity was clearly one of the reasons for this unusual and fruitful investment of resources.

### **The *Program* itself**

*The Program of Socio-Economic and Urban Development of Yakimanka Municipal District*<sup>117</sup> consists of five chapters. Chapter 1 is a status report on the district: its employment patterns, its age distribution, its chief environmental hazards, etc.

Chapter 2 is entitled “Policies of Socio-Economic and Functional Development of the District”. This chapter proposes not only the relocation of industry out of Yakimanka, but also the redevelopment of the district’s residential districts, such that the profile of the center-city residential apartment supply would become high-rent, as in any other downtown of a market-based city. The same chapter proposes a zoning plan for the district. The eleven uses listed in the zoning plan are far less detailed than in Soviet zoning plans.

Chapter 3 is entitled “Architectural and Planning Policies of District’s Development”. The specific proposals regarding certain streets and parcels in the district reflect the philosophy of “stitching and weaving”, as opposed to the “hammering and polishing” of the Soviet period. Figure 5.4 shows the *Program* applied in practice. The massive residential structures in the interior of this block are far less striking when one-floor development extends to the street front. The uses in this new infill are mostly retail — a service Soviet-era planners consistently under-prescribed, thus exacerbating the infamous queues. An historic-preservation and archaeological plan is incorporated into this chapter. The possible buildout of a large portion of the district is shown in Figure 5.7 (page 68).

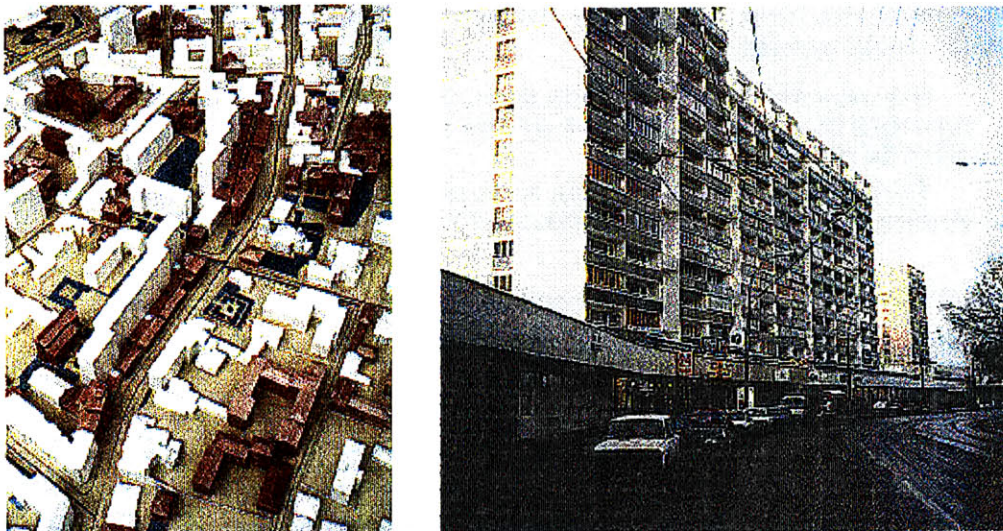


Figure 5.4: Potential new development (crimson) filling the gap between the set-back buildings along Bolshaya Polyanka and the street itself. At right, the plans come to fruition.

<sup>117</sup> Программа социально-экономического и градостроительного развития района “Якиманка”. Territories’ Development Corporation, 1994. Henceforth, *Program*.



Chapter 3 section 2 is entitled “Restoration of Owner-Wise Parcelation” — a crucial concept discussed in the next section.

Chapter 4 deals with infrastructure and environment. It is largely a nod in the direction of these two important issues, but its limitation is obvious: systemic problems with air quality and traffic congestion cannot be solved at the level of a city district.

Chapter 5 is entitled “Program Implementation Policies”. The authors of the *Program* propose mechanisms which are at the same time design-oriented, fiscal, and legal. They propose to create<sup>118</sup>:

1. A land evaluation cadaster of the District’s territory, drawn on the basis of owner-wise parcelation;
2. a Program of functional development of the District
3. a set (a protocol) of architectural and urbanistic rules applicable to the territory.

The *règlement* of which Podyapolskii wrote would essentially be the equivalent of the third item listed here.

The cadastre would be a fiscal valuation tool — the crucial first step in creating a workable property-tax structure. The parcel boundaries would be determined on the basis of parcelation, discussed below. The functional-development Program would further develop the zoning code for the region, as well as a realistic schedule of industry relocation. The protocol of architectural rules is a method to give the current *Program’s* principles greater credentials with the architectural community. Solutions to “the major objects shaping the compositional structure of [their respective] areas shall be subject to approval [by the authorities described in Chapter 3]. The Protocol will list the areas in the municipal territory that require the above procedure. Projects related to other parts of the territory will not be specifically considered” through this process.

These three documents would be applied to each parcel through a Land Parcel Certificate — better described as a publicly available file, subject to periodic updating. The Certificate would include:

- (a) location and planning data of the parcel, data on its owner(s)/lease-holder(s), a listing of supporti[ng] legal documents, technical and operational specifications of the fixed structures erected on the parcel;
- (b) information on the applicability, to this particular parcel, of the Program of functional development of the territory and of the Protocol of architectural and urbanistic rules.

The Land Parcel Certificate would become an automatic attachment to every investment contract and land lease, and would be “binding upon every party to [the city’s] development.”<sup>119</sup>

Thus, the *Program* proposed, for the first time, a scenario whereby *a priori* approval of a project was possible. Every parcel would need to be replanned and rethought case-by-case *at first*, but afterward most parcels would *not* need to be reconsidered. “Compliance with the above-listed proposed documents will be sufficient for the execution of projects of new construction, rehabilitation and reconstruction without any additional stages of submitting project papers for review and approvals.”

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<sup>118</sup> *Program*, p. 38.

<sup>119</sup> *Ibid.*, p. 38.

The planning and thought would occur once — and perhaps periodically thereafter — but not through an Urban-Design Conclusion (GZ) and not on request from a developer.

### **“Owner-wise” Parcelation<sup>120</sup>**

“A *parcel*<sup>121</sup> is an historically composed spatial unit of land with common attributes of origination, settlement, development, and potential,” wrote KRT’s Gusev. “In the modern world, a *parcel* embodies an indivisible complex of land, property rights and buildings. The wholeness of a *parcel* is determined by its spatial organization: it is a lot within a block that must have its own entry to the public way. Every *parcel* must have a system of drainage; internal access ways for wheel and foot, which guarantee access to all structures; and strictly defined rules of conduct between private owners, addressing an owner’s responsibilities in maintenance of the entire territory.”<sup>122</sup>

A distinguishing feature of center-city Moscow’s fabric is the pattern of *groups* of buildings on a single parcel of land. Today’s *parcel* is usually equivalent to such an historic grouping (taking into account structural changes of the past 75 years). In pre-Revolutionary times, these groups, often centered around a courtyard, were owned by a single family, corporation or individual. (In the Pushkin Museum case, the Khrushchev-Seleznev complex would clearly qualify as a *parcel*. Furthermore, one would have known beforehand whether the chestnut square should be part of the *parcel*.) As a result, *parcels* often had a single access point to the public way, single systems of drainage, buildings with similar facades, etc., but were an order of magnitude smaller than a city block. The parcelation plan is shown in Figure 5.5 (page 66).

### **Parcelation partly ignored**

Today’s investors have not jumped at the opportunity to occupy a government-prescribed *parcel* entirely and exclusively. Even though the City established the parcelation as law in 1994 and instructed the Land Committee to follow parcelation, it is often disregarded. Sometimes investors want more land, and sometimes less. In July 1995, on the 29 *parcels* in a sample region (bounded by Bolshaya Ordynka, Bolshaya Polyanka, and Kadashevskaya nab.), there were 17 land leases in effect. When the land lease map was overlaid with the parcelation map, it was discovered that 14 of the parcels were completely “covered” by land leases. Five parcels were not entirely “covered” — that is, an investor did not lease the entire *parcel*. Ten *parcels* were partly “covered” — that is, an investor encroached into a given *parcel*, but the majority of the *parcel* remained not under lease. One *parcel* was subdivided into three lots. Two land lease territories included publicly used streets.<sup>123</sup>

The head of district government in Yakimanka, Victor Alekseyevich Sokolovsky, insists that parcelation is all the more necessary because investors’ various preferences have consequences to all other investors, all residents, and all passersby. “We have no

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<sup>120</sup> “Parcelation” is the English term used by the translators of the *Program*; in favor of the possibly more apt “parcelization”. “Parcelation” is the term adopted by this study.

<sup>121</sup> The word “parcel”, when italicised, is a direct translation from the Russian/French “parcelle” — a term coined by the *Program*. When not italicised, it means any lot of land.

<sup>122</sup> “Архитектура и строительство Москвы”, 1995, № 3, p. 7.

<sup>123</sup> Examination performed by author in July 1995, while in the employ of MBA architectural office.

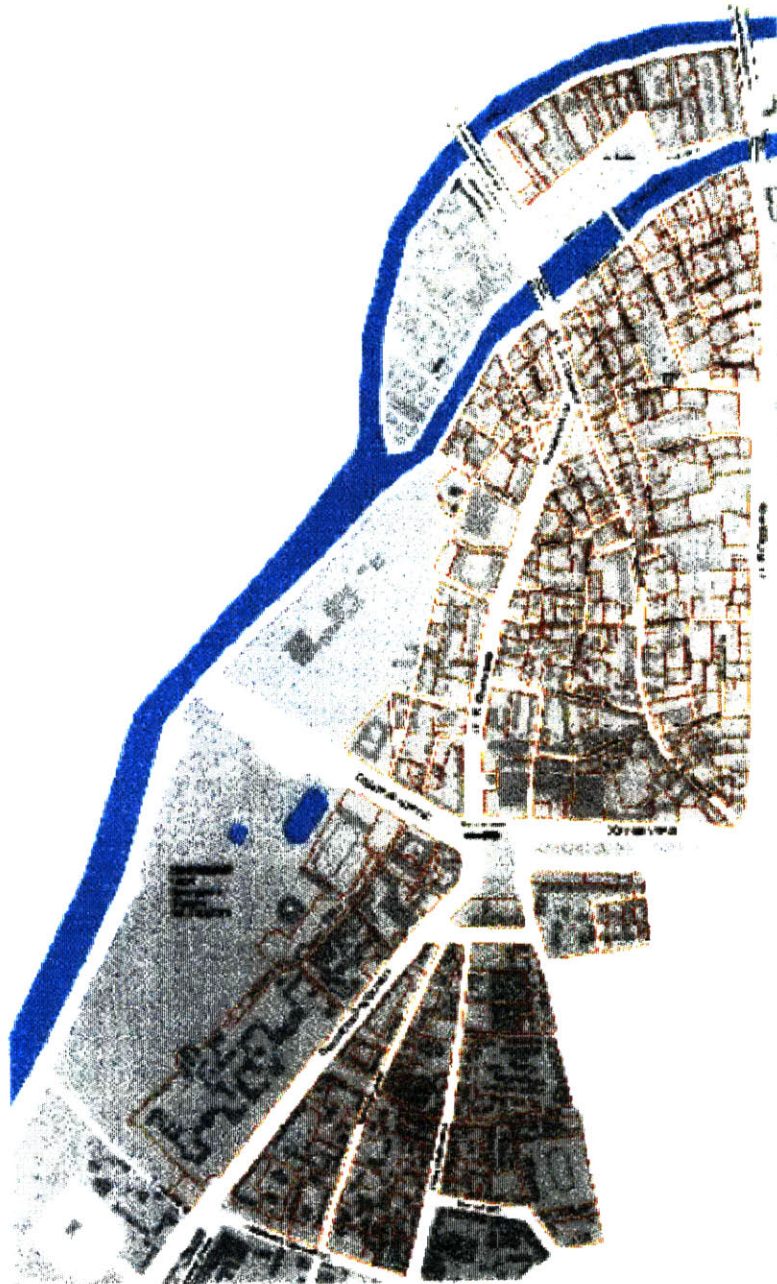


Figure 5.5: The Yakimanka plan's basic units of urban form: the *parcels*. (Source: *Program*).

condominium arrangements, and we have a society of 'disownership'," he said in an interview with the author in 1994. "Luxury apartments in many of our buildings are complemented by entryways which are dark and full of stench." The same problem occurs with areas outside buildings, he argued. Investors generally desire no additional burden, especially not to be forced to maintain a property in cooperation with anyone.<sup>124</sup> Sokolovsky believes that the parcelation initiative has proven itself. It is not always

<sup>124</sup> Interview with Victor Alekseyevich Sokolovsky, Dec. 1994, not conducted specifically for this study.



followed, but in cases where two or more investors were in conflict over boundaries, having an approved plan — a *pre*-approved plan — was helpful.

The Land Committee, for fiscal reasons, continues to pursue a maximum-area strategy, irrespective of the parcelation program. Investors generally prefer a minimum-area arrangement. A KRT official offered an example of this tug-of-war from early 1996. A bank asked to lease land only under its building footprint (see Figure 5.6). The City therefore sought to find a higher and better use for the abutting land, which the bank was using as a parking lot. The arm wrestling resulted in leases that correspond to the *Program*. “But such a result,” added Konchenko, “is not consistently achieved.”<sup>125</sup>

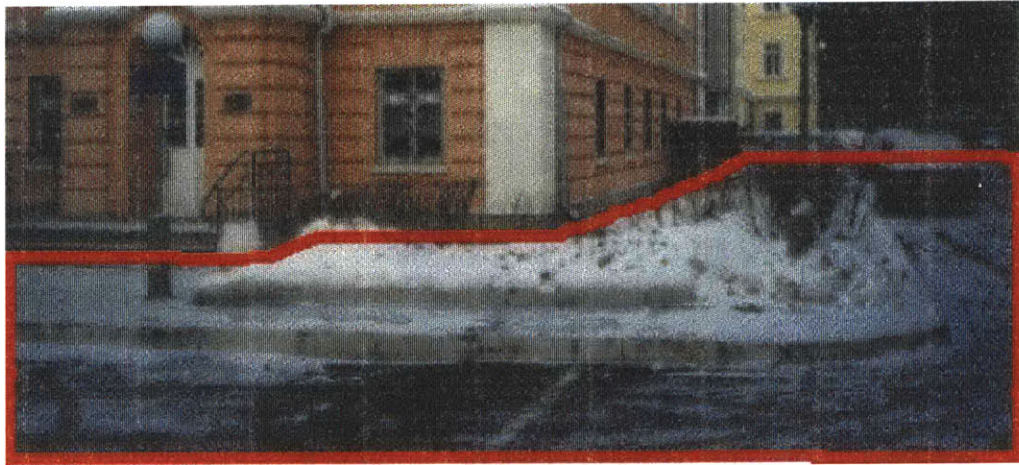


Figure 5.6 The lessee did not wish to pay rent within the red bounds. (Photo: Author).

### Skeptics

While investors have tried to ignore parcelation, some architects within city government have publicly and privately opposed it. “Parcelation was developed ‘under wraps’,” remembers Podyapolskii. For a *Program* that seeks transparency, this fact might seem inconsistent. “But to have done otherwise,” counters Podyapolskii, “would have been suicidal to the project. As recently as 1994, presentations of the parcelation plan were frequently met with unfriendly gazes and caustic comments. ‘Do you mean to allow private ownership?’ asked one member [of the Architecture and Urban Planning Committee].”<sup>126</sup> In fact, parcelation does nothing of the kind. Whether Moscow adopts private ownership over land or maintains its current policy of long-term leases, parcelation can be equally effective. It amounts to a subdivision regulation — a restriction on ownership rights. Most members of the Architecture and Urban Planning Committee, thinks Podyapolskii, continue to be tepid toward it at best.

The next chapter accepts the assumptions of the *Program* and of parcelation. Assuming that a *règlement* has been adopted in Moscow, it will attempt to apply the recommendations of the *Program* and pursuant *règlement* to the process described in Chapter 3. Could Land Parcel Certificates have helped in standardization and conflict prevention in the cases described in Chapter 4? Or perhaps the process of development in center-city Moscow follows the wry observation of Moscow Deputy Chief Architect A. R. Vorontsov: “Here, everything is an exception.”

<sup>125</sup> Interview with Sergei Gavriilovich Konchenko, KRT’s liaison to Moscow Land Committee.

<sup>126</sup> Interview with Dmitri Sergeevich Podyapolskii.



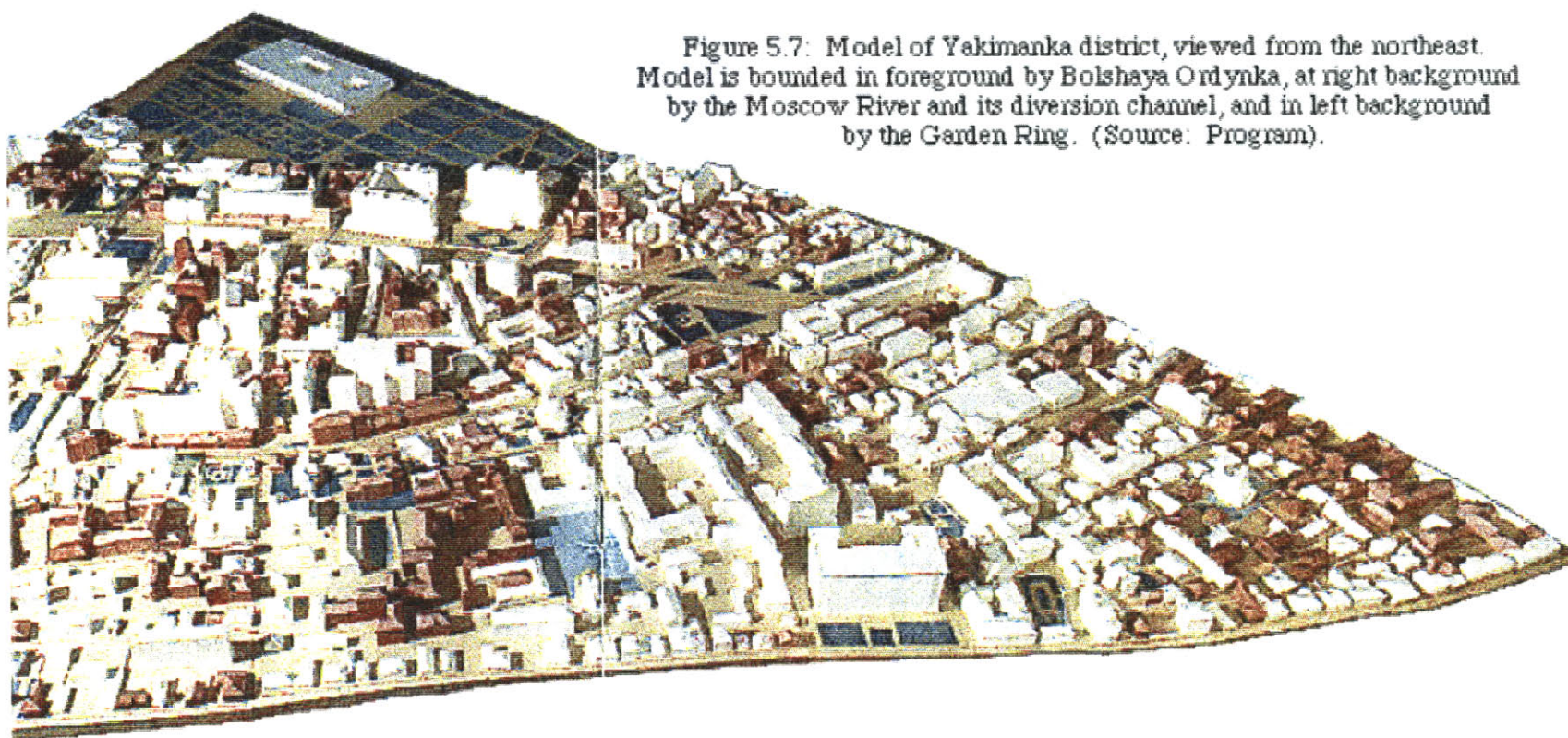


Figure 5.7: Model of Yakimanka district, viewed from the northeast. Model is bounded in foreground by Bolshaya Ordynka, at right background by the Moscow River and its diversion channel, and in left background by the Garden Ring. (Source: Program).

## Chapter 6: The Yakimanka Plan Applied

This study has argued — or at least repeated the argument — for developing a code or *règlement* that would make transparent the essential facts about a parcel, and the City's position on that parcel. By overlaying the ideas and specific proposals of the Yakimanka *Program* (Chapter 5) with the steps analyzed in Chapter 3, one can piece together and propose a portrait of the development-approvals process that would result from this reform. This chapter will not only speculate on the results of a successful reform, but also point out the most significant obstacles to its implementation. It will then attempt to compare the reformed process to the case studies described in Chapter 4.

The basic structure of the property-rights and architectural/urban-design approvals process was laid out in Chapter 3, document by document, seven documents in all. The example is here revisited.

**Document 1:** Certification from the Real Estate division of the Moscow Property Committee as to the existence of a lease; and any previously existing **Document 3:** Land lease from City, executed through Moscow Land Committee.

**Reform:** All leases and other forms of recorded property rights over City structures are on file at the Committee on Property (Moscomimushestvo). All leases and other forms of recorded property rights are on file and the Land Committee (Moscomzem). Land Parcel Certificates, as proposed by the Yakimanka *Program*, would be held on file at municipal district government offices or at the Prefecture level. The holding and presentation of essential data entails issues of managing the data. As Land Parcel Certificates are introduced, the files of the Moscow Committee on Property will have to be merged with the parcelation developed by the City. Such a merger must satisfy three concerns: technical, financial, political.

From a technical standpoint, there is essentially no difficulty. Geographic Information Systems (GIS) software is widely available in Moscow — whether it be imported, converted to Cyrillic alphabet, or written in Russian. KRT (Territories' Development Corporation) has already digitized all land-lease lots and *parcels* in Yakimanka.<sup>127</sup> As investors place buildings into use under rights of ownership, they are *not* obligated to record ownership with the Property Committee (whose role is to oversee the City's property, not private or federal property in the city). Therefore, the first step in the process of development — establishing title to structures — ought also to be repeated at the time of project completion, as the very last step.

From a financial standpoint, the issue is impossible to address with any degree of certainty. This much is known: (1) The City has been the recipient of approximately 50% of the development that has occurred since 1991; (2) Moscow continues to spend

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<sup>127</sup> KRT — *Five Years in the Real Estate Market* (promotional literature), 1996. КРТ — пять лет на рынках недвижимости.

“43% of the city budget on housing and municipal services — far more than any other Russian region,” according to Russia’s First deputy prime minister, Boris Nemtsov.<sup>128</sup> (3) Significant funds have been expended in City-sponsored projects. In cases such as the Pushkin Museum restoration, the disbursements appear to be from Mospromstroï, a private company. In other cases, they may come from a general treasury. Given the level of City equity in real estate, given the unclear nature of the accounts associated with City government, and given the levels of spending which the City continues to undertake, one can only conclude that the funds for data management exist. Their appropriation is a question of political choice.

From a political standpoint, not only are the Mayor and the Prefect of the Central Okrug on record as favoring a more integrated system of recording title to both land and buildings, but a Decree of the City<sup>129</sup> requires such an integrated system. The policy prescribed by the City with respect to information sharing between bureaucratic agencies is simple enough: to share information freely. Yet the reality is the opposite. KRT’s liaison to the Land Committee, Sergei G. Konchenko, believes that exchange of information between the Land Committee and the Yakimanka district has only waned over the last several years. “The Land Committee will take information” from KRT or a municipal district government for its master database. “But the Land Committee will not share any data of its own. I sat across the table from [Land Committee Chairman] Astsaturov, and he flatly refused our offer mutually to share information.”<sup>130</sup> If a developer approaches the Land Committee about a certain parcel, the Land Committee does not answer that a parcel has been leased or not leased. It answers that the parcel is not up for auction. The Land Committee’s activities as record-keeper and commission-earning real estate broker are at the root of this secrecy. Furthermore, an order of the Mayor is not likely to change the Land Committee’s behaviour, because the Land Committee is not subject to the Mayor, but is rather the “Moscow branch of the Land Reform and Land Resources Committee of the Russian Federation,” or Roscomzem.<sup>131</sup>

The Committee on Property, on the other hand, are regarded as close allies of the Mayor’s office. They act as owners of every property on the list of more than 3,000 structures subject to rehabilitation through the vehicle of investment contracts. This list is generally available.

Therefore, to produce Document 1, or to be able instantaneously to make known any previously existing Document 3, control issues must be resolved. The case will need to be made that freedom of information is to the long-term benefit of both the Land Committee’s and the City’s coffers. Today, it is clear that secrecy over nominally public records carries some sort of benefit for the holder(s) of these records.

**Document 2:** Executive “go-ahead” order. This document would hardly change, for an investment contract cannot proceed without authorization, and Document 2 is the authorization.

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<sup>128</sup> RFE/RL Newline, No. 26, Part I, 7 May 1997.

<sup>129</sup> Положение № 561-PM, 11.11.1994.

<sup>130</sup> Interview with Sergei Gavrilovich Konchenko, liaison of Territories’ Development Corporation (KRT) to Moscow Land Committee.

<sup>131</sup> Stephen B. Butler and Sheila E. O’Leary, *Urban Land Allocation in the Russian Federation*, *Post-Soviet Geography*, 1995, Vol. 36, № 1, pp. 19-20.

**Reform:** The chronological position of this document would change. It would follow Document 5: The pre-approved Urban Design Conclusion.

**Document 5:** Instead of a made-upon-order instruction or conclusion, this statement of conditions would become part of the Land Parcel Certificate.

**Reform:** It would look similar to the following document, amended from its appearance in Chapter 3. Some lines from the example in Chapter 3 are crossed out; clauses to be inserted are identified by “| INSERT ...”; and the rest is quoted verbatim.

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~~URBAN DESIGN CONCLUSION~~

~~as to the conditions of design of objects of construction and reconstruction within  
the limits of the historical district of Moscow bounded by the Garden Ring.~~

| INSERT NEW TITLE:      *LAND PARCEL CERTIFICATE*

~~Planned object:~~ \_\_\_\_\_ ~~TEO for reconstruction of a building.~~

Address of planned object: Gagarinskii per. (ul. Ryleeva), 33/5/2

Municipal Territory:              Hamovniki

~~Client:~~ \_\_\_\_\_ ~~Izluchina JSC~~

The entire territory bounded by the Garden Ring is part of a zone of special urban-design regulation in historic Moscow, wherein the urban-design conclusion and corresponding design documents are subject to the assent of the Directorate of Control, Protection and Use of Monuments of History and Culture (UGK OIP).

1. Characteristics of the urban design of the parcel or object; existing conditions and changes planned under previously approved projects.

The common and informal names of the historic district:

— “Prechistenka region”

— Micro-region № 19, bounded by Gogolevskii Blvd., ul. Prechistenka, Smolenskii Blvd., Glazovskii per. and Gagarinskii per.

— Block № 168, bounded by Gagarinskii per. (ul. Ryleeva), Bolshoi Vlasievskii per., Maly Mogiltsevskii per., Plotnikov per.

The block ~~under consideration~~ is small and densely built with pre-Revolutionary walk-ups. The only undeveloped parcel at this address (corner of Gagarinskii per. and Bolshoi Vlasievskii per.) is currently slated for construction of a six-story residential house with a children’s establishment built in.

The two-story structure subject to reconstruction is on the southern side of this address, occupying the corner of Bolshoi Vlasievskii per. and Maly Mogiltsevskii per.

2. Requirements and recommendations for the urban design solution...

2.1 Pre-project historical investigations and historic-preservation requirements with respect to design and construction.



It is necessary to conduct an historical investigation of the address and existing structures; to have the document approved by UGK OIP; ~~to acquire a Plan instruction from UGK OIP.~~

**INSERT 2.1.1:** UGK OIP Planning requirements.

2.2 Functional use, rational placement of designed object, effective planning solution for building and land parcel.

During the reconstruction project, with the goal of effective operation of the building, it will be necessary to investigate the feasibility of a mansard or some addition, taking into account insolation and illuminance upon neighbouring residential buildings and the planned residential building with a kindergarten (see section 1), ~~as well as any recommendations of UGK OIP.~~

**INSERT 2.2.1:** UGK OIP recommendations as to site use and design.

2.3 Volumetric/spatial and architectural solution; application of structural and finishing materials.

During the design of reconstruction of (and addition to) historic structures located in areas of preserved historic environments, it is necessary to take into account the character of the volumetric/spatial structure and scale of the basic components and details of the surrounding development; furthermore, expediently and suitably to use traditional structural and finishing materials.

2.4 Planning solution for utilities and amenities of the parcel and surrounding territory.

During the development of a planning solution for the parcel, account for existing trees and capital improvements, and lost historical boundaries between addresses

**INSERT 2.4.1:** A Plan of the parcel's historic boundaries.

... use small architectonic forms; use tiled paving.

~~During the development of a plan for utilities at surviving historical addresses, rely on archival records; absent which, abide by principle of planning organization suitable to this type of development.~~

**INSERT 2.4.2** "Archival plans for this parcel are (attached herewith.) OR (not available. Abide by principle of planning organization suitable to this type of development.)"

Set fencing along Bolshoi Vlasievskii per. and along the boundary of the address.

Tie in utility connections with planned new construction along Gagarinskii per. (ul. Ryleeva).

**INSERT 2.4.3** Sketch plan of utilities to proposed abutting construction.

Yard territory must be used, in its entirety, as a pedestrian zone for the surrounding residential homes and the kindergarten.

2.5 Recommendation regarding organization of transport service to the object or parcel.

It is expedient to find a solution under which a maximum of transport service (motorized access to entry ways, loading points, underground parking entrances) is directly off the street, eliminating the necessity for motor vehicles to enter the yard area; nevertheless, the pedestrian areas and paths must be designed so as to allow emergency vehicles to drive through.

During the planning of any type of construction project, underground parking is to be provided; or, convincing arguments are to be presented as to its non-feasibility.

**INSERT** Dimensional limitations.

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Dimensional regulations, as discussed in Chapter 2, can bring about design lacking character. However, as the Gogolevskii 11 case has shown, the lack of a firm statement on dimensions can bring about a scandalous result. Dimension limitations that assume an investor will build at maximum are in fact ways to shape the design of the building. Investors might be especially prone to abide by them if (1) the dimension limitations are not just perceived as a first bargaining stance, and (2) the investor could actually realize a savings of time and effort by following them.

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2.6 Construction norms;

2.7 Organization of construction (so as to minimize disruption).

... [ss.]

Chief architect of Central Administrative Okrug

Director of Moscow UGK OIP

Director of workshop № 4 of "Mosproject-2"

**INSERT** the DATE of LAST UPDATE to this document

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As for "Conclusion upon an on-site inspection of object or territory," it would cease to exist. If any contingencies arise during the process of design, they can be addressed in an investment contract, or (even later) during the approval of the TEO.

This Land Parcel Certificate is not much changed from the Urban-Design Conclusion in Chapter 3. However, the timing is very much changed. If the urban-design conclusion was issued on 20 July 1995, the certificate, with largely the same text, would have been issued on 14 April 1994 — a savings of nine months.

Having picked up a Land Parcel Certificate — a document that in addition to the function of Document fulfills the function of Document 1 and any previously existing Document 3 — the investor proceeds with a budget and initial design. The investor then approaches the City (the Central Okrug Prefecture) with a proposal, which need not take the form of an official document, as the investment contracts are not sold at public auction, but can be issued on a "first-come, first-served" basis. If an agreement in principle is reached — as long as a proposal meets the conditions of the Land Parcel Certificate, agreement should be reached — then Document 2, Document 3, and Document 4 will follow.

**Document 2**, the Executive Order, will remain unchanged, except that it will reaffirm the conditions of the Land Parcel Certificate, and will *not* instruct the

Architecture and Urban Planning Committee to issue an Urban-Design Conclusion. Presumably, this document should continue to be sent to all relevant agencies, so they can propose any changes to the conditions in the Land Parcel Certificate, provided these changes are the result of newly discovered information or changed circumstances. These amendments can be added to the investment contract, **Document 4**. The Executive Order can also instruct that the execution of an investment contract will constitute an automatic “go-ahead” to the development of a TEO (design).

**Document 3.** Control over land, with an option to develop it, should rightly follow the Executive Order (Document 2). The short-term lease — a standard document now in use — provides that option.

**Reform:** If a reform can be proposed to Document 3, it is that the short-term and long-term leases should be offered by split entities. Only the long-term lease would continue to be issued by the Land Committee. The function of short-term lease, on the other hand, is almost identical to that of an investment contract (Document 4), and should be issued by the same office. Currently, both documents provide exclusivity of ownership during evaluation and design of a construction project. To offer short-term security as to land separately from short-term security as to existing structures is redundant.<sup>132</sup> However, the political and financial interests of the issuing parties (Land Committee for Document 3 and Central Okrug Prefecture for Document 4) may diverge and thereby resist such a reform. In that case, both short-term land lease and investment contract would continue to exist side by side.

The long-term lease — the security to own or lease real estate once substantial capital investments (construction, etc.) have been made — is an established document that would not substantially change. Given the Land Committee’s formulas for valuing land based on an index that accounts for land use, location, etc., the long-term leases could effectively become the sole property tax in the City, at least in the absence of a developed appraisal industry and a critical mass of “comparable sales” data.

**Document 4:** The investment contract.

**Reform:** This document would change significantly with respect to Article 4: Duration and stages of Project. The reformed Article 4 is detailed here:

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Article 4: Duration and stages of Project.

4.1 Stage one.

Contents of the work of this stage:

~~Drafting and registration of urban design instructions;~~

~~Registration of Acts of land tenure;~~

— Development of and assent to the TEO;

Terms for the completion of work:

— Beginning of stage — date of Contract signature;

— End of stage — date on which TEO shall have been duly confirmed;

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<sup>132</sup> The legal concept of “real estate” as the combination of land and structures is being gradually introduced into Russia. Western lawyers push this concept consistently (see for example, *East/West Executive Guide*, 1.6.1996).



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— Duration of stage — not more than six months from the date of signature of this Contract.

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The six-month duration becomes more reasonable for the investor in terms of design, since it no longer includes a period of time to develop the urban-design instruction. If six months is too lenient a time to put a design and TEO together, then this stage can be shortened. Furthermore, a limit can be placed on the duration between the TEO submission and the TEO approval, conditional approval, or denial.

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#### 4.2. Stage two.

Contents of the work of this stage:

- Conclusion of agreements for lease of land parcels;
- Execution of the full scope of design, construction, and start-up/adjustment work at the Objects.

Terms for the completion of work:

- Beginning of stage — date of TEO confirmation;
- End of stage — date of instrument of state commission confirming the acceptance of the Object as operational;
- Duration of stage — as set forth in a schedule ... attached.

#### 4.3. Stage three.

Contents of the work of this stage:

- Closing of accounts and resolution of outstanding claims;
- ~~Registration of property rights in the Objects~~

Terms for the completion of work:

- Beginning of stage — date of instrument of state commission confirming the acceptance of the Object as operational;
- End of stage is generally the signing by both parties of an instrument regarding the results of the Investment Project;
- Duration of stage — three months.

**INSERT conditions placed after the Land Parcel Certificate by relevant agencies.**

This last insertion is crucial. The streamlined process being imagined here has an underlying basis — that actions not specifically required need not be taken. In the case of tree removal, for example (see Case Study 1 in Chapter 4), this would be the section into which the Committee on Natural Resources (Moscompriroda) could stipulate that all trees (or certain trees) must not be disturbed. This stage would be the *last opportunity* to place stipulations by relevant City and federal agencies.

**Document 6 Reform:** The instruction to begin design (to begin the TEO), written by the investor and approved by several other agencies, would cease to exist. The conditions of the Land Parcel Certificate and the Investment Contract will constitute the

requirements for the design. The official “go-ahead” to develop a TEO will have been written into Document 2. It could also be written into Document 4.

The elimination of Document 6 would significantly change the role of the Expert Commission. Its role in this stage could be removed altogether (as preferred by the Prefect of the Central Okrug), or shifted to Document 4 in the inserted section on conditions placed after the Land Parcel Certificate.

**Document 7:** Several of the reform-minded individuals quoted in this study have argued that the TEO itself be called by a different name. Whatever the nomenclature, however, the City will need to decide whether it will continue to scrutinize the financial side of privately-financed objects. This is a fundamental question not addressed in this study. The approval of a design (and of a budget, if so directed) would still occur at this final stage.

A difficult question arises at this final stage of the streamlined process. Who issues the Document 7 approval? The approval of the TEO currently resides solely with the Expert Commission. Depending on the reform of the Expert Commission’s role in shaping the investment contract, it may be wise to continue to vest it with the power to approve designs. The essential question should be this: Are approvals meant to be granted by agencies who write the conditions or by other agencies? An independent approvals-granting agency can garner respect but can also be less motivated to enforce conditions it did not write.

If the Document 7 stage is not to become merely a postponement of the delays avoided in the earlier stages of the process, there should only be one approvals-granting authority. To allow *each* of the agencies (who wrote stipulations into previous documentation) to supervise compliance could create so much delay as to render the entire reform moot.

The new process is worth applying to the Case Studies. This exercise will show that the Pushkin Museum project would have been helped greatly by a Land Parcel Certificate. Centre-2000 might have had less choice with respect to colouration. The Gagarinskii 11 fiasco would almost certainly not have happened incrementally — either there would have been a four-floor violation (instead of the one-floor violation), or there would be no project at all for the time being.

### **Case Study 1 Revisited: Pushkin Museum**

**Document 1:** The “Act granting [certain] rights over land” issued by the Land Committee on a Soviet-era template would be part of the Land Parcel Certificate.

**Document 5:** Urban-Design Instruction. If the reform is successful, the policy on this parcel would be known, and would be made part of the Land Parcel Certificate. If the re-establishment of a church on the site is not made part of the Land Parcel Certificate, it cannot be ordered by the Mayor or anyone else. If an attempt is made to insert this provision into the Land Parcel Certificate, then the entire controversy over the relocation of the school could take place during the formulation of this policy, and not as construction is already underway. The very boundary of the *parcel* would determine whether the archive vault could be placed into the chestnut-tree square.

**Document 2:** Decree № 860.

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In conjunction with [specified decrees of the City], the Government of Moscow hereby orders that:

1. The complex of buildings of the State museum of A.S. Pushkin is to be ~~reconstructed, constructed, and/or restored in several stages~~

INSERT: “reconstructed, constructed, and/or restored according to the program outlined on its Land Parcel Certificate”.

2. ~~The function of customer and general contractor [for all aspects of paragraph 1] is to be assigned to “Mospromstroï JSC~~

INSERT: Prefect of the Central Okrug is instructed to complete an investment contract with “Mospromstroï” JSC.

~~Allow for the possibility of bringing restoration and other types of specialists (organizations, firms, and city agencies) into the work of the project~~

INSERT: Restoration and other types of specialists (organizations, firms, and city agencies) are to submit additional amendments to an investment contract by [date].

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The above alteration to paragraph 2 still presumes that Mospromstroï could be given an obligatory offer. It would seem appropriate, however, to leave such actions to an informal setting. Formally, Mospromstroï should be issued an investment contract, just as any other investor.

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~~3. In light of the large volume and compressed time table of the work to be performed, permit the execution of work contemporaneously with the development of the design and budget documentation, and prior to confirmation by UGK OIP and Expert Commission, in coordination with these.~~

4. Moscow Architecture and Urban Planning Committee, by purchase order from Mospromstroï JSC, with consent of UGK OIP and the directorate of the museum, is to:

4.1 Complete and confirm TEO [for Stage 1] during fourth quarter of 1995;

4.2 Develop, coordinate, and confirm design and budget [of further stages];

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In a project whose ultimate owners are the people (be it through federal or city government), it is probably within the government’s legitimate interest to stipulate a public designer. A provision for a particular private designer would, however, be unseemly, unless it were done under a system of competitive bids.

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~~4.3 Develop and confirm TEO for relocation of Humanities Gymnasium №1529 and re-creation of the church during first quarter of 1996.~~

~~4.4 Propose within one month a plan for construction of a new building for Humanities Gymnasium № 1529, taking into account the architectural and urban design conditions in Hamovniki municipal territory.~~

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4.5 ~~{Develop design of same.}~~

5. The customer, Mospromstroi JSC, is to:

5.1 ~~Duly register appropriate documents with Land Committee, upon confirmation of TEO; taking into account demolition of gymnasium and alteration of boundaries due to re-creation of Church, and~~

**INSERT:** Duly register appropriate documents with Prefecture of Central Okrug and Land Committee, as part of investment contract. Upon completion of construction, transfer all rights in the parcel to State A. S. Pushkin Museum.

**Document 3:** Merged with Investment Contract.

**Document 4:** Investment contract would be created.

The December 13, 1995 letter from Mrs. N. Stevens would presumably have been written earlier, when the removal of trees was being written into the Land Parcel Certificate. If the circumstance only came to Mrs. Stevens' knowledge at a time after the investment contract was executed, she could petition for an amendment to the Investment Contract, which has specific provisions for such a case.

**Document 7,** approval of TEO, would remain unchanged.

## Case Study 2 Revisited: Centre-2000

**Document 1:** Decision № 3079, dated 30 December 1987, by the city Executive Committee of the Communist Party, would have become part of the Land Parcel Certificate.

**Document 5:** Urban Design Conclusion would also be part of the Certificate. If the authors of the Land Parcel Certificate insisted on certain colours, Centre-2000's options as to the colouration solution would be *limited* by this reform. The authors of Land Parcel Certificates would do well not to mandate specific colours. The most important change to the document would be as follows:

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2. Requirements and recommendations for the urban design and architectural solution...

~~{work closely with UGK OIP}~~

**INSERT** UGK OIP's conditions

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**Document 2:** Decree № 672 from 25 August 1992 could continue to serve as the catalyst for the investment contract. However, a new order or regulation could be issued, pointing to the Land Parcel Certificate, and calling for other agencies to submit additional stipulations for the newly-amended investment contract.

**Document 4:** Investment Contract. The original 17 May 1993 contract would continue to be in force, but a new amendment would be written for each new building by the Centre-2000 corporation. The clause from Document 6 — "Develop a colouration solution for the street facades and yard facades" — would be incorporated into the investment contract amendment.

Document 7, for the Poslednii 7-9 development, would be issued in due course.



### Case Study 3 Revisited: Gogolevskii Boulevard 11

Because a document-by-document account could not be constructed in Chapter 4, it cannot be revisited here. However, the Land Parcel Certificate for this parcel would have given a maximum height and bulk dimension, among other requirements. KREST would have needed to argue vigorously to do otherwise. If KREST's goal had been a development of the scale now being built, a Certificate stating four floors might have been enough to dissuade KREST from this site. If location drove the decision, the Certificate might have convinced KREST to market the building to smaller, perhaps less affluent, clientele — and to expect a more modest profit margin. If implemented correctly, it would have steered the Gogolevskii 11 building away from pure negotiation into something more standardized. However, if KREST found the profit margin too modest, there would likely be no project at all, for the time being.

A Certificate should not be viewed as a panacea against the controversy that marred this project. Even under the *status quo*, KREST could have offered alternatives — two smaller buildings, two different sites, an extra parking garage, or some other mitigation. KREST chose not to do this, because it thought that by tackling the bureaucracy head-to-head, it would emerge victorious. With a little help from some friends, it did just that.

It is hoped, of course, that the Certificate system described in this chapter would have made the process more transparent in KREST's case. But if the penalty for blatantly violating the decision made through a process is 100,000 rubles — no matter how poor the process may have been — then the switch to a more transparent system may not yield rewards. A better, clearer, more transparent, and most importantly *planned* system of requirements and restrictions must be accompanied by correspondingly clearer and stricter penalties for their violation. It should be an attempt to reduce *both* sides of the hyperbolic truism uttered by the satirist Saltykov-Shedrin: “The cruelty of Russia's laws is surpassed only by the consistency with which they are ignored.”



## Chapter 7: Concluding Thoughts

The process described in Chapter 6 would make more transparent the requirements that the City's agencies intend to place on a development. There are, of course, problems of incentive and motivation, and these have already been discussed. However, there exist also some very general reasons for Moscow's unwillingness or inability to reform the approvals process, and there are specific questions with respect to a review of all parcels in the Central Okrug. This study concludes by considering these issues.

### Construction boom delays reform

Moscow is the undisputed colossus of the Russian Federation. 60% of all foreign investment in Russia occurs in the capital, and one out of every fifteen Russians lives there. Given these conditions, demand for Moscow real estate has been high. Other cities, such as St. Petersburg, Nizhnii Novgorod, Pskov, Tver, and Novgorod, have eagerly inquired as to land privatization and other types of reforms — and have paid western consultants to help implement the reforms.<sup>133</sup> St. Petersburg announced that land can be bought and sold under rights of ownership nearly as comprehensive as those of the “fee simple” in Anglo-Saxon law.<sup>134</sup> One important reason, perhaps the main reason, that these other cities have behaved so differently from Moscow is that they were forced to: demand for their real estate has been low.

If high demand is, in fact, the reason Moscow has not implemented comprehensive reform, then the City's policy may need rapid adjustment. One of the truths of any market economy is that demand changes over time. The Mayor himself had a forecast and recommendation for French businessmen in this regard: “Hurry up, the business boom in Moscow will last another five to seven years, after which the market will be saturated, the slots will be filled and it will be much harder to get a toehold”.<sup>135</sup> Yet by choosing to “cash in” on the unleashed wave of development that has occurred in the once-dormant center-city, Moscow government may be setting up for itself a doubly difficult scenario in “five to seven years”. If demand for new construction in Moscow decreases, the City will find itself with little if any cash flow from leasing or selling the 50% of new buildings which it owns. It will collect only ground lease rent through the Land Committee. Its system of property taxation — a source of revenue that is usually well protected from the ravages of economic downturn — is not developed. With

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<sup>133</sup> Pskov, Tver, and St. Petersburg paid Arthur Andersen Co. to conduct a Land Title Registration program. Acquired from Internet, 30.11.1995. Novgorod and Nizhnii Novgorod have worked with PADCO, Inc., according to *PADCO: 30th Anniversary*, a 1995 promotional brochure.

<sup>134</sup> *East/West Executive Guide*, 1.6.1996, reads: “According to the decree and Instruction of the Mayor of the City of St. Petersburg No. 1049-r of October 19, 1994, any enterprise with at least 75 percent private ownership can apply to purchase its land.”

<sup>135</sup> Agence France Presse, 20.2.1997.

Moscow government desperate to generate more development, there will be a temptation to throw the entire onerous approvals process aside, and the resulting architecture and urban planning decisions may prove deeply regrettable. If, on the other hand, the approvals process is not unduly onerous, there will be no reason to cast it aside.

### **From a monopoly to a government**

Speaking of this phenomenon more broadly, the corporatisation of government itself is a dangerous undertaking. In good times, such as the mid 1990s, the people of the city as a whole should benefit. In bad times, the City may not have a choice other than to cut back on its essential services, issue bonded debt, and hope that the debt rating will not plummet. Given the booming and noisy rebirth of the city's downtown, a conservatism regarding the future scope and role of City government in Moscow ought to be the order of the day.

The *règlement* or Land Parcel Certificates proposed by Yakimanka and KRT are a step in the direction of this conservatism. They seek to create a single system of expectations with the implicit hope that it can reduce the importance of good personal connections or the application of arbitrary discretion by those in power. This conservatism, however, is not easily achieved, and it is not "hands-off". It in fact requires a massive investment of effort and time (and a more-than-modest investment of funds). One by one, the data and the recommendations of the relevant authorities and citizens regarding each parcel would need to be collected and kept. A reasonable estimate of *parcels* inside the Garden Ring would be 800; within the Central Okrug — perhaps double that. Today, citywide, the Main Architecture-Planning Directorate completes 2,500 urban-design conclusions by using the resources of its "Mosproject" offices, in the estimation of the deputy chief architect.<sup>136</sup> Given the time required to create these official files, the process would probably be non-stop, but it is feasible. As soon as one full round of *parcels* is complete, changes in conditions would warrant their revision. Such an ordered constancy of decision-making is preferable to the random and sudden decision-making that must occur in the *status quo*. For a great metropolis, which has been powerfully and dramatically transformed by the revolutionary visions of single potentates, meticulous and maybe argumentative concerns about the fate of every corner of its soil would be a good *modus operandi* for the next several years.

### **Inapplicability to the outskirts of Moscow**

The sort of due diligence recommended on these pages for center-city Moscow will simply not be possible for the rest of the city. The Central Okrug has maintained the pattern of the old city. The other nine okrugs are built on an entirely different model of development, marked by the absence of capillary streets and a corresponding limit on parcels to consider. The sheer space in the peripheral okrugs renders the comprehensive parcelation, and parcel-by-parcel planning, hardly possible, except along arterial streets. A strategy for planning in outer Moscow, however, is a question best left for another investigation. It must simultaneously tackle questions of motorization, apartment space, and more efficient land use of the vast empty-lands that rather awkwardly surround the historical center of Moscow.

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<sup>136</sup> Interview with Aleksei Rostislavovich Vorontsov.



# Appendices

## Appendix I Institutional Summary

Name as used in study:	Moscow Land Committee; Land Committee
Russian name:	Moskovskii zemelny comitet (Московский земельный комитет)
Acronyms:	Moscomzem (Москомзем)
Parent Organization:	Land Reform and Land Resources Committee of the Russian Federation
Function in general:	To see that City of Moscow legislation is compatible with Russian federal law.
Function in process:	To register land leases and other land rights; to auction land parcels through brokerage houses; to collect rent and retain a commission.
Appearance in process:	"Document 3", as described in Chapter 3 and thereafter.

Name as used in study:	Mayor's Office.
Russian name:	Meria goroda Moskvu (Мэрия города Москвы)
Parent Organization:	The Mayor is elected. He is <i>ex officio</i> the Premier of Moscow Government.
Function in general:	Chief Executive of the City of Moscow.
Function in process:	Policy decisions. Usually, either an Executive Order of the Mayor or a Decree of Moscow Government is required to authorize any land lease or investment contract.
Appearance in process:	"Document 2", as described in Chapter 3 and thereafter.

Name as used in study:	Prefecture of Central Administrative Okrug; Central Okrug Prefecture.
Russian name:	Prefectura Centralnogo Administrativnogo Okruga (Префектура Центрального Административного Округа)
Acronyms:	CAO (ЦАО)
Parent Organization:	Moscow Government. Mayor appoints the Prefects of Moscow's ten okrugs.
Function in general:	To fulfill all executive functions incumbent upon city government within the Central Okrug.
Function in process:	To issue investment contracts. Prefect acts as point-man between City and developer.
Appearance in process:	"Document 4", and sometimes "Document 2", as described in Chapter 3 and thereafter.

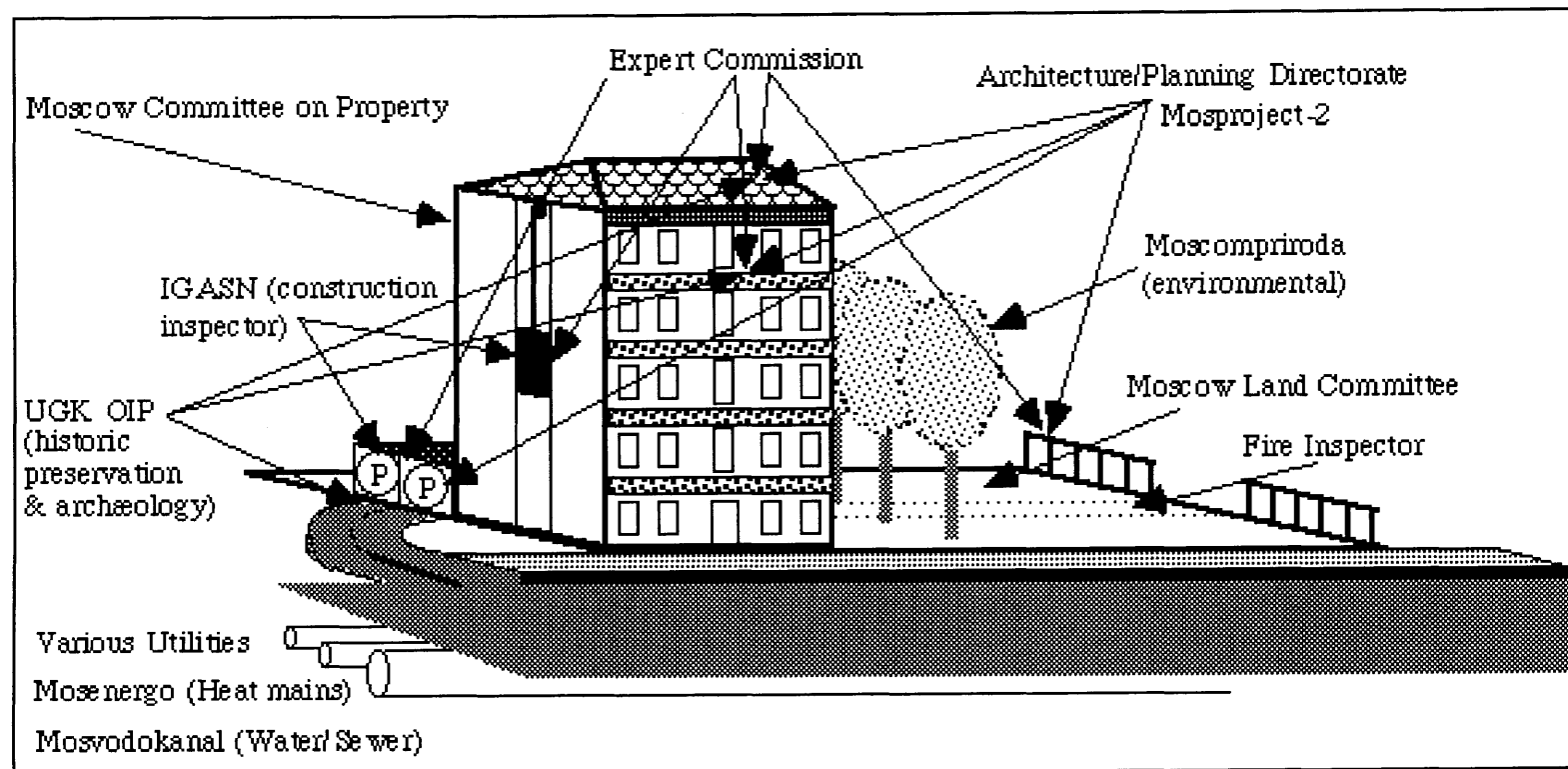
Name as used in study:	Moscow Committee on Property; Moscomimushestvo.
Russian name:	Москомимущество
Parent Organization:	Moscow Government.
Function in general:	To manage, lease, or dispose of structures owned by the City.
Function in process:	To maintain list of over 3,000 structures in Central Okrug which are subject to reconstruction; to record all property rights in structures now or previously owned by City of Moscow.
Appearance in process:	"Document 1", as described in Chapter 3 and thereafter.

Name as used in study:	Moscow Committee for Protection of Environment and Natural Resources
Russian name:	Moskovskii gorodskoi comitet ohrany okruzhayushei sredy i prirodnyh resursov (Московский городской комитет охраны окружающей среды и природных ресурсов)
Acronyms:	Moscompriroda
Parent Organization:	Ministry of Environment of Russia AND Moscow Government.
Function in general:	Protection of the natural environment.
Function in process:	To act as one of the signatories allowing the beginning of a project design; to accept or veto a final design on the basis of environmental impact.
Appearance in process:	Appears in case study 1.

Name as used in study:	Architecture and Urban Planning Committee
Russian name:	Moskovskii comitet po architecture i gradostroitelstvu (Московский комитет по архитектуре и градостроительству).
Acronyms:	Moscomarchitecture (Москомархитектура)
Parent Organization:	Moscow Government. The “chief architect of Moscow” is <i>ex officio</i> the Chairman of the Architecture and Urban Planning Committee.
Function in general:	To oversee all architectural and planning activities of the City. To oversee the General Plan; to design City-financed projects, etc.
Function in process:	Acts through sub-organizations: see below.
Appearance in process:	“Document 5”, as described in Chapter 3 and thereafter.
Name as used in study:	Main Architecture/Planning Directorate
Russian name:	Glavnoe architecturno-planirovochnoe upravlenie (Главное архитектурно-планировочное управление)
Acronyms:	GlavAPU (ГлавАПУ)
Parent Organization:	Architecture and Urban Planning Committee.
Function in general:	To oversee urban design of specific projects in the City
Function in process:	To issue the Urban-Design Conclusion.
Appearance in process:	“Document 5” and “Document 6” as described in Chapter 3 and thereafter.
Name as used in study:	Mosproject-2
Russian name:	Моспроект-2
Acronyms:	
Parent Organization:	Officially, a private company, but also answers to GlavAPU
Function in general:	An architectural firm.
Function in process:	To draft the Urban-Design Conclusion.
Appearance in process:	Unstated author of “Document 5”, as described in Chapter 3 and thereafter.
Name as used in study:	Directorate of Control, Protection and Use of Monuments of History and Culture
Russian name (abbrev.):	Upravlenie gosudarstvennogo control'a ohrany i ispol'zovania pam'atnikov istorii i cul'tury (Управление государственного контроля охраны и использования памятников истории и культуры).
Acronyms:	UGK OIP (УГК ОИП)
Parent Organization:	Ministry of Culture
Function in general:	Historic preservation and restoration of built or landscaped space; archaeology.
Function in process:	Entire area within Garden Ring subject to UGK OIP review. UGK OIP collaborates w/ Mosproject-2 on Urban-design Conclusion and approves design.
Appearance in process:	“Document 5” and “Document 6”, as described in Chapter 3 and thereafter.
Name as used in study:	Moscow Non-departmental Expert Commission
Russian name:	Moskovskaya gosudarstvennaya vnevedomstvennaya expertisa (Московская государственная вневедомственная экспертиза).
Acronyms:	Mosgosexpertise (Мосгосэкспертиза)
Parent Organization:	Moscow Government directly, no department.
Function in general:	To oversee that end design matches with intially-approved design; to oversee that construction matches final design.
Function in process:	Approves the actual design. In practice, may solicit advice from any non-governmental organization, such as the Moscow Council of Architects.
Appearance in process:	“Document 6” and “Document 7”, as described in Chapter 3 and thereafter.

## Appendix II

Some agencies concerned with the physical design and operation of urban development in center-city Moscow.



## Appendix III

### Seven basic documents in the Moscow development approvals process

#### Document 1

Name or function: To state or verify title to a structure before investment is made.  
Issuing authority: Moscow Committee on Property (Moscomimushestvo).

#### Document 2

Name or function: Executive Order or Decree. To authorize the beginning of a development or reconstruction.  
Issuing authority: Moscow Government, Mayor, or Prefect.

#### Document 3

Name or function: Land Lease (short-term or long-term). To collect rent.  
Issuing authority: Moscow Land Committee.

#### Document 4

Name or function: Investment Contract: to give investor exclusivity during feasibility and design phase, and security during construction and thereafter.  
Issuing authority: Prefecture of the Central Okrug (region).

#### Document 5

Name or function: GZ, meaning either "Gradostroitel'noe zadanie" (Urban-design instruction) or "Gradostroitel'noe zakluchenie" (Urban-design conclusion): to give investor requirements relating to design of the project.  
Issuing authority: Drafted by Mosproject-2, approved by UGK OIP, by Moscompriroda, signed by GlavAPU.

#### Document 6

Name or function: Instruction to develop the final design. Issued if investor's initial design meets GZ requirements. The final design and the project's budget together comprise the so-called TEO, or "Techno-Economicheskoe Obosnovanie" (Technical-Economic Basis).  
Issuing authority: Drafted by investor. Approved by Architecture and Urban Planning Committee, UGK OIP, military, Expert Commission.

#### Document 7

Name or function: Approval of TEO  
Issuing authority: Expert Commission



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